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In the Supreme Court

OF THE

United States

OCTOBER TERM, 1964

No. 674

JACUZZI BROS., INC.,
Petitioner,

vs.

LANDON, INC.,
Respondent.

INTERNATIONAL MANUFACTURING CO., INC., et al.,
Petitioners,

vs.

LANDON, INC.,
Respondent.

PETITION FOR WRIT OF CERTIORARI
to the United States Court of Appeals
for the Ninth Circuit

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No.

JACUZZI BROS., INC., *Petitioner,* vs. LANDON, INC., *Respondent.*	
INTERNATIONAL MANUFACTURING CO., INC., et al., *Petitioners,* vs. LANDON, INC., *Respondent.*	

PETITION FOR WRIT OF CERTIORARI to the United States Court of Appeals for the Ninth Circuit

Petitioners pray that a writ of certiorari issue to review the judgments of the United States Court of Appeals

for the Ninth Circuit entered in the above-entitled cases on August 31, 1964, copies of said judgments being separately presented as Appendix A of the "Appendix to Petition for Writ of Certiorari."

CITATIONS TO OPINIONS BELOW

The opinion of the United States Court of Appeals for the Ninth Circuit is reported at ..... F.2d ..... and 142 USPQ 421, a copy of said opinion being separately presented as Appendix B of the "Appendix to Petition for Writ of Certiorari."

The opinions of the District Court and its findings of fact and conclusions of law are unreported. They are printed and separately presented in Appendix C. The judgments of the District Court are printed and separately presented in Appendix D.

JURISDICTION

The date of the judgments of the Court of Appeals was August 31, 1964, and the judgments were entered on August 31, 1964.

The jurisdiction of this Court is conferred by 28 U.S.C. § 1254(1).

QUESTIONS PRESENTED

1. Whether a patent owner may mandatorily package-license his patents.

2. Whether patent owners may pool their patents for the purpose of having the holder of the pooled patents license them collectively and not otherwise.

3. Whether two patent owners may place their patents under the ownership of one of them with a contractual restriction which obliges the transferee-owner to license the patents collectively and not otherwise.

4. Whether mandatory package licensing of patents constitutes patent misuse irrespective of the relation to each other of the patents constituting the package.

CONSTITUTIONAL PROVISION AND STATUTES INVOLVED

Article I, Section 8 of the Constitution of the United States provides:

> The Congress shall have Power * * * [Clause 8] [t]o promote the Progress of Science and useful Arts, by securing for limited Times to Authors and Inventors the exclusive Right to their respective Writings and Discoveries.

The pertinent provisions of the United States Patent Code, Title 35 U.S.C., are as follows:

> Section 282. The following shall be defenses in any action involving the validity or infringement of a patent and shall be pleaded:
>
> (1) Noninfringement, absence of liability for infringement or unenforceability.

The pertinent provisions, because of the public policy underlying them, of the United States Commerce and Trade Code, Title 15 U.S.C., are as follows:

> Section 1. Every contract, combination in the form of trust or otherwise, or conspiracy, in restraint of trade or commerce among the several States * * * is declared to be illegal * * *.

STATEMENT

Landon, Inc. ("Landon") is the owner of United States Letters Patent No. 2,826,307 (Pace patent) and United States Letters Patent No. 2,844,255 (Cavenah patent). These patents cover filter devices which are adapted to form a part of the water recirculation systems of swimming pools.

The device of the Pace patent serves the function of drawing the surface water from a swimming pool and filtering that water.

The device of the Cavenah patent serves the function of drawing sub-surface water from a swimming pool and filtering that water. This device contains an attachment which when removed converts it to the device of the Pace patent.

Initially, Landon owned only one of these patents, the Cavenah patent. The Pace patent was then owned by Robert M. Pace. When the two patents were separately owned neither of the owners was able to obtain royalty-paying licensees, although devices embodying the inventions covered by the two patents were being made by swimming pool equipment manufacturers and were being widely sold to the swimming pool industry.

Landon and Robert M. Pace then entered into negotiations which resulted in an agreement providing, among

other things, for: the assignment of the Pace patent to Landon; the grant by Landon to Robert M. Pace of a royalty-free, non-exclusive license under both the Pace and the Cavenah patents; a covenant by Landon to put forth its best efforts to obtain licensees under the Pace and Cavenah patents at the most favorable royalty rate; and a covenant by Landon that it would license these two patents only collectively and never individually.

Such an agreement is still in force and effect. Under it and its ownership of both patents Landon was able to get all of the acknowledged leaders, except the Petitioners, of the swimming pool equipment industry into the fold as licensees under both patents. All of these acknowledged leaders, save one, had, as non-licensees, been engaged in making and selling the devices of the two patents prior to the Landon-Pace agreement.

The Court of Appeals recognized that Landon's licensing policy amounted to mandatory package licensing of the Pace and Cavenah patents. But, said the Court, such does not amount to misuse where, as here contended by the Court, the patents of the package are blocking in that they cover interdependent parts of one product. Were the patents non-blocking, the Court clearly indicates, the result would be different because of the evil of conditioning the grant of a license under one patent upon the acceptance of a license under one or more patents which the prospective licensee did not necessarily need.

The Court recognized that the Pace and Cavenah patents would not be blocking, or necessarily needed, if either of them was either invalid or not infringed by the

accused device made and sold by one or the other of the Petitioners. But, said the Court, each of such contingencies is merely hypothetical here because we have held each of the patents valid and each infringed by each of the accused devices.

In concluding that there was no misuse, the Court of Appeals purported to distinguish the situation here from that in *American Securit v. Shatterproof Glass Co.*, 3 Cir., 268 F.2d 769, by contending that in *Securit* there were involved competing rather than blocking patents. In making its unequivocal contention that the patents in *Securit* were competing, the Court below (1) said that the patents in *Securit* "could *possibly* be used independently without infringing one another" and (2) simply ignored the fact that both the trial court and the appellate court in *Securit*, as is expressly set forth in their reported decisions, did not consider or know of the relationship to each other of the patents involved and found misuse on the *per se* basis of the existence of a mandatory package licensing policy.

As to Jacuzzi Bros., Inc. v. Landon, Inc., the basis for federal jurisdiction in the court of first instance was afforded by the statute creating the remedy of declaratory judgments (28 U.S.C. Section 2201) and the jurisdictional provisions [28 U.S.C. Section 1331(a)] appertaining to civil actions for declaratory judgments of non-infringement and unenforceability of patents.

As to International Manufacturing Co., Inc. et al., v. Landon, Inc., the basis for federal jurisdiction in the court of first instance was afforded by the patent laws of the United States (35 U.S.C. Section 281) and the

jurisdictional provisions [28 U.S.C. Section 1338(a)] appertaining to civil actions for patent infringement.

REASONS FOR GRANTING THE WRIT

1. The United States Court of Appeals for the Ninth Circuit has decided an important question of federal law in a manner which defeats the policy of this Court of facilitating resistance to monopoly abuse and of striking down attempts to extend government-granted monopolies, i.e., patents and copyrights, by way of attempts to reinforce one such monopoly with another such monopoly, as by mandatorily package-licensing them, and in deciding this important question of federal law the Court below has failed to heed the reasoning underlying this Court's decisions, such as in *United States v. Paramount Pictures,* 334 U.S. 131, 156-159, and in *United States v. Loews, Inc.,* 371 U.S. 38, 47-48.

2. In holding that mandatory package-licensing of blocking, rather than competing, patents does not amount to patent misuse, the decision of the Court of Appeals below is in irreconcilable conflict with the decision of the Court of Appeals for the Third Circuit in *American Securit v. Shatterproof Glass Co.,* 268 F.2d 769, and this conflict calls for resolution to the end that the lower federal courts may be guided by a single and paramount line of decision concerning activities which impinge upon and affect the public interest and are within the realm of the public policy underlying the patent and the antitrust laws.

3. Any case where a lower court fails to follow, or in which there is reflected a failure upon the part of such a court to understand, the announced policy or rule of decision of this Court is one which requires review and correction to instill in lower courts the understanding that the powers vested in this Court under Article III of the Constitution as the highest appellate court necessarily create duties in the lower courts to follow the announced policies or rules of decision of this Court.

4. To permit to stand the holding of the Court of Appeals that mandatory package licensing of blocking patents is an acceptable practice will promote the following developments, all of which will be to the great disadvantage of proper concepts of proper monopolies and to healthy business competition in the free enterprise system of this country: the concept that the blocking patents of a package are either in reality or in effect integral parts of one overall patent or monopoly; the lower courts will develop a tendency, or pursue an effort, wherever possible, to hold that such patents are blocking rather than competing; to support a conclusion that such patents are blocking rather than competing the lower courts will strain to find infringement of all of the patents of the package; and to support a conclusion that such patents are blocking rather than competing the lower courts will strain to find that all the patents of the package are valid.

5. If the writ is not granted, the holding of no misuse by the Court of Appeals will seriously affect commerce by (1) furthering a predatory monopolistic practice which has had and continues to have a serious economic impact upon the public and the swimming pool equipment indus-

try and by (2) aiding and abetting the adoption of similar predatory monopolistic practices in all phases of industry and commerce wherein there is patent ownership and patent licensing. To permit the spread into other industries of the practice of mandatory package licensing of patents, whether this practice is purported to be justified under the guise that the patents are blocking or under some other guise, is to upgrade the value of multiple-patent ownership and to downgrade the value of the creation of individual inventions and the ownership of single patents in derogation of the constitutional concept of promoting the progress of science and useful arts.

6. It is vitally necessary to the public interest and the patent policy underlying Article I, Section 8, of the Constitution, that a prospective patent licensee have the right to pay royalty tribute to selected ones of a package of patents and be free to contest the validity of the other patents of the package. When, as here, the owners of a package of patents adopt the policy of cutting off that right of a prospective licensee, they thereby seek to obtain more than "the exclusive right to their respective * * * discoveries", as provided for by Article I, Section 8, of the Constitution. When a court, as here, has approved of the adoption of such a policy, it has done violence to the Constitution.

7. Assuming, arguendo, that one patent owner may engage in mandatory package licensing of his patents without misusing the exclusive right permitted by the Constitution to his respective discoveries, the concerted action of two patent owners in pooling their patents to create the package which is to be mandatorily licensed destroys

any justification for the adoption of the package licensing policy. When one patent owner attempts to monopolize by licensing together the legal monopolies afforded by his patents, it can be contended that he has engaged in no more than a restrictive licensing practice, but, when two patent owners join forces in such an attempt to monopolize, their action in concert violates the public policy underlying Section I of the Sherman Anti-Trust Act in that they have engaged in restrictive patent pooling.

CONCLUSION

It is respectfully submitted that, for the foregoing reasons, the granting of this petition is in order.

It is further submitted that it would be particularly timely to grant this petition because the questions it presents could then be considered by the Court along with the analogous and related questions presented by the petition for writ of certiorari in *Susser et al., v. Carvel Corporation et al.*, 2 Cir., No. 355, October Term, 1964, the latter petition having been granted by the Court on October 26, 1964.

Dated, San Francisco, California,
November 9, 1964.

Respectfully submitted,

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JAS. M. NAYLOR,
KARL A. LIMBACH,
Of Counsel.

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APPENDIX TO
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Appendix A

United States Court of Appeals
For the Ninth Circuit

No. 18,725

Jacuzzi Brothers, a corporation,
Appellant,

vs.

Landon, Inc., a corporation,
Appellee.

JUDGMENT

Appeal from the United States District Court for the Northern District of California, Southern Division.

This Cause came on to be heard on the Transcript of the Record from the United States District Court for the Northern District of California, Southern Division, and was duly submitted.

On Consideration Whereof, It is now here ordered and adjudged by this Court, that the judgment of the said District Court in this Cause be, and hereby is reversed in part on the issue of wilfulness and otherwise be and hereby is affirmed.

Filed and entered August 31, 1964.

United States Court of Appeals
For the Ninth Circuit

No. 18,698

International Manufacturing Co., Inc. a corporation, and Rodolfo Jacuzzi, an individual,
Appellants,
vs.
Landon, Inc., a corporation,
Appellee.

JUDGMENT

Appeal from the United States District Court for the Northern District of California, Southern Division.

This Cause came on to be heard on the Transcript of the Record from the United States District Court for the Northern District of California, Southern Division, and was duly submitted.

On Consideration Whereof, It is now here ordered and adjudged by this Court, that the judgment of the said District Court in this Cause be, and hereby is reversed in part on the issue of wilfulness and otherwise be and hereby is affirmed.

Filed and entered August 31, 1964.

Appendix B

UNITED STATES COURT OF APPEALS FOR THE NINTH CIRCUIT

INTERNATIONAL MANUFACTURING CO., INC., a corporation, and RODOLFO JACUZZI, an individual, *Appellants*, vs. LANDON, INC., a corporation, *Appellee*.	No. 18,698
JACUZZI BROS., a corporation, *Appellant*, vs. LANDON, INC., a corporation, *Appellee*.	No. 18,725

[August 31, 1964]

Appeal from the United States District Court
for the Northern District of California,
Southern Division

Before: HAMLEY, HAMLIN and MERRILL, Circuit Judges

HAMLEY, Circuit Judge:

These two cases involve the validity, infringement and misuse of patents covering devices for skimming and filtering the water in swimming pools and vacuuming the side and bottom of such pools. The letters patent in question are No. 2,826,307, granted to Robert M. Pace (Pace patent) and No. 2,844,255, granted to David K. Cavenah and Paul J. Steffan (Cavenah patent), both of which have been assigned to Landon, Inc. (Landon).

In the first case Landon sued International Manufacturing Co., Inc. (International) and Rodolfo Jacuzzi (Rodolfo), who is the sole stockholder, president and alleged alter ego of International. Landon claimed that International and Rodolfo have infringed the Pace and Cavenah patents. International and Rodolfo in general denied Landon's allegations and asserted a number of defenses. Additionally, by way of counterclaim, they sought damages and injunctive relief against Landon under the antitrust laws, charging patent misuse.

In the second suit, which was brought against Landon by Jacuzzi Bros., a corporation, the latter alleged that Landon had charged it with infringement of the Pace and Cavenah patents and asked for a judicial declaration that these patents are invalid and void and that they have not been infringed by Jacuzzi Bros. This plaintiff also sought damages and injunctive relief against Landon under the antitrust laws on the same grounds as were asserted by International and Rodolfo in the first suit. Landon, by way of counterclaim, sought damages and injunctive relief against Jacuzzi Bros. for infringement of the Pace and Cavenah patents.

The two suits were consolidated for trial on the common issue of validity. On the issue of infringement and misuse the two cases were tried separately. In each case a judgment was entered adjudging that the patents are valid and have been wilfully infringed, rejecting the claim of patent misuse, awarding damages for infringement, the amount to be determined in a subsequent proceeding, and enjoining further infringement.

International and Rodolfo appeal from the judgment in the first case and Jacuzzi Bros. appeals from a judgment in the suit which it had brought. We have jurisdiction under 28 U.S.C. § 1292(4) (1958) The cases have been consolidated for purposes of the appeal.

Validity of the Patents

The Pace patent is entitled "Fluid Recirculation Systems." It was applied for on August 22, 1955, and granted on March 11, 1958. The invention is for a fluid recirculation system especially adapted for use in swimming pools, having a filter which can be cleaned without backwashing and with provision for recirculation of overflow and surface skimming of the pool.

The construction of the Pace filter includes a filter housing or tank approximately fourteen inches in diameter by thirty-six inches high. This housing is adapted to be mounted adjacent to a swimming pool with its upper end above the normal water level of the pool, flush with the pool deck and with its lower end below the water level of the pool. The housing has a horizontally projecting neck constituting a water passage between the interior of the housing and the pool. A buoyant weir is placed in this neck and water passage to perform a skimming function on water coming into the filter housing from the pool.

A removable filter element assembly is placed in the housing below the water level of the pool. Between the top of the filter element assembly and the neck of the tank is a screen leaf basket to catch leaves and floating debris. In operation, the surface water of the pool flows from the pool over the buoyant weir to and through the leaf basket and the filter element for filtering. The filtered water then passes to an outlet in the housing directed to the suction intake of a pump which draws the filtered water through the outlet and pumps it back to the pool.

The Cavenah patent is entitled "Combination Filter and Surface Skimmer." It was applied for on April 6, 1956, and granted on July 22, 1958. The device of this patent embodies the basic combination of the Pace patent but, in addition, adds additional structure and function which makes it possible to vacuum the pool.

The added structure includes an interior circumscribing shoulder or seat in the housing between the inlet neck and the top of the filter element assembly. A removable shut-off vacuum lid is provided to be removably seated on this shoulder to effect a vacuum pull from the pump through the filter element assembly and a vacuum outlet to the pool. The Cavenah device skims and completely filters the water and also permits the device to be used as a vacuuming device to vacuum the bottom and sides of the pool.

The two principal features of the Pace and Cavenah devices are the skimming and filtering elements. Both of these elements and the other mechanisms and parts incorporated into these devices are old in the art. The trial court found and concluded, however, that the combination of old elements specified in the

Pace and Cavenah patents have a mode of operation which is new in the art. This new mode of operation, the court found and concluded, produces new, different and additional results, and accomplishes the old ultimate result of pool filtering in a more facile, economical and efficient way.

Such combination, the court determined, was not obvious to persons having ordinary skill in the art at the time the invention was made. The court also found and concluded that the patents had not been anticipated by the cited prior art, that Cavenah had not been anticipated by Pace, and that both involved invention. On the basis of these determinations the trial court held that the Pace and Cavenah patents were valid.

Challenging this determination, appellants focus attention upon the standard of invention incorporated in 35 U.S.C. § 103. Under that section the Pace and Cavenah patents should not have been issued if the differences between the unitary skim-filter devices therein described and the prior skimming and filtering art are such that the described devices, as a whole, would have been obvious at the time the invention was made to a person having ordinary skill in the art.

Appellants argue that the findings relating to obviousness are too broad and conclusory to support the determination that Pace and Cavenah met the section 103 test.

The court found that for more than ten years prior to the time of the invention disclosed by the Pace and Cavenah patents, there was available to the swimming pool industry, from a practical viewpoint, only a single type of pool filtering apparatus for pools other than relatively large commercial pools. This apparatus, the court found, was of the sand and gravel type requiring one or more relatively large tanks containing sand and gravel. These tanks, according to the findings, were positioned above ground thirty to sixty feet from the pool because of the deck space they required and because of their unsightly appearance. The findings also list a number of recognized disadvantages associated with this type of device.

The court further found that for years the industry recognized the shortcomings and disadvantages of the sand and gravel filters and sought an answer to the problem. It remained unsolved, the

court stated, until the advent of the filter apparatus of the patents in suit. The findings describe in detail the various features of the Pace and Cavenah devices, listing seven respects in which they acted together to solve the long-standing problem. With regard to the Pace patent the court found that although this solution seemed simple once it was disclosed by the inventor, it escaped the experts in the industry for over ten years.

The findings also deal with the prior art patents and while their principal effect may be to negative anticipation, they also tend to support the determination that what Pace and Cavenah accomplished was not obvious. There are also extensive findings as to the effect of the Pace and Cavenah patents in the industry, showing widespread acceptance of these devices. In our opinion the findings with regard to the test of obviousness, summarized above, are not too broad to support the determination made.

Appellants also contend, however, that the concept of disposing surface skimming and filtering elements within a single package unit was disclosed in prior patents and that the Pace and Cavenah combination of old parts was therefore obvious.

Assuming that the inclusion of these two elements in a single apparatus was obvious, the findings, which are not clearly erroneous, establish that it was the manner of combining these elements which was not obvious, not anticipated, and constituted invention.

The invalidity of a combination patent is not established by showing only that there was, in the prior art, a device containing the same elements. A combination patent envisions a conjunction or concert of known elements which produce some unusual or surprising consequences. *Great Atlantic & Pacific Tea Co. v. Supermarket Equipment Corp.*, 340 U.S. 147, 152. It follows that such a combination is not anticipated or rendered obvious by a prior conjunction or concert of the same elements unless the latter produces substantially the same results.

As shown by the findings referred to above, the Pace and Cavenah patents produced unusual and surprising consequences not exemplified in the prior art. Therefore, the fact, if it is a fact, that skimming and filtering devices had been combined in some examples of prior art, does not render the invention of Pace

and Cavenah obvious nor in any other respect render those patents invalid.

Infringement by Jacuzzi Bros.

Jacuzzi Bros. manufactured and sold two versions of accused filter devices. The district court found that both versions infringed the Pace and Cavenah patents. On this appeal, Jacuzzi Bros. does not challenge the finding that its devices infringed the Cavenah patent. It does, however, contest the finding that the accused devices infringed the Pace patent.

The skim filter of the Pace patent and of the accused devices are substantially the same except for the filter element which each contains. The accused devices make use of a sock-type filter element whereas the Pace patent device utilizes a disc-like filter element. The court found that the structural and operational differences between these two kinds of filter elements are insubstantial and do not change the mode of operating the skim filters, the result produced being precisely the same. The court therefore found that the sock-type filter element is the full equivalent of the disc-like element, and that both of the accused skim filters are the full equivalents, both structurally and functionally, of the combination disclosed and claimed in the Pace patent.

Jacuzzi Bros. contends that file wrapper estoppel precludes Landon from asserting that the sock-type filter elements of the accused devices are the full equivalents of the disc-like filter elements of the Pace device.

The application for the Pace patent was filed on August 22, 1955. On November 16, 1956, a new claim 10 amended on July 11, 1957, was asserted. This claim defined a filter unit sufficiently broad to embrace both types of filter elements. On October 14, 1957, the Patent Office examiner rejected claim 10 as being unpatentable over certain of the prior art references.

This claim and certain other claims were then cancelled, and four new claims (Nos. 11 to 14) were asserted. The filter element as defined in these claims, which became claims 1 to 4 of the Pace patent, is not broad enough to include, except by application of the doctrine of equivalents, the sock-type filter unit of the accused devices. In submitting the new claims counsel for the applicant

made certain remarks concerning claims 13 and 14, and the Morris prior-art patent, as quoted in the margin.[1]

Predicated on these transactions, which we have set out in barest outline, Jacuzzi Bros. argues that the purpose of the cancellation of claims 5 and 8 through 10, and the assertion of the four eventually-allowed claims was to define the filter element assembly in specific details in a manner which excluded sock-type filter elements. Accordingly, the company contends, Landon may not now expand his claim to include a type of filter element which was purposefully excluded from the Pace claims.

It must be assumed that the redefinition of the filter element, as contained in the added claims which were incorporated in Pace, was purposeful. But this alone would not give rise to file wrapper estoppel so as to preclude patent coverage, on the theory of equivalency, of kinds of filter elements included in the first definition but not in the second. It must also appear that the redefinition was necessary to obtain the patent.

The gravamen of file wrapper estoppel, as this court recently said in *M. O. S. Corp. v. John I. Haas Co.*, 9 Cir., ___ F.2d ___, is that an applicant who acquiesces in the rejection of his claim, and accordingly modifies it to secure its allowance, will not subsequently be allowed to expand his claim by interpretation to include the principles originally rejected, or their equivalents.

As indicated by the statement made by the examiner at the time, claim 10 was not rejected because of an overly-broad definition of filter elements, or because it permitted use of a sock-type filter. It was rejected for the reason that claim 10, read as a whole, was unpatentable over other named patents. The disc-like filter element could not be the heart of the Pace invention since it, as well as the sock-type filter element, is old in the art. What was new, and what was patented, was the combination of parts in which a filter unit is correlated to the remaining elements so

---

[1]The remarks were: "Claims 13 and 14 are drawn to the specific construction of the filter housing apart from any pool with which it might be associated. The prior art discloses that it is old and well known to provide filtering means for use in conjunction with swimming or other pools for purifying the water of the pool and reintroducing the water thereto. These two claims are addressed to the specific structure developed by the applicant by which these results may be achieved."

that the combination performs the desired skimming and filtering function.

We agree with the district court that file wrapper estoppel is inapplicable under the facts of this case. It follows that the district court did not err in finding that the accused devices of Jacuzzi Bros. infringed the Pace patent.

Wilfulness of Infringement

The trial court determined that the infringement of the Pace and Cavenah patents by International and Jacuzzi Bros. was wilful, intentional and deliberate. Challenging this ruling, these appellants call attention to the fact that courts are traditionally reluctant to find an infringement wilful.

To question the validity of a patent does not, of itself, constitute wilful infringement. *General Motors Corp. v. Dailey*, 6 Cir., 93 F.2d 938, 942. Wilfulness is established only where it is shown that there was a deliberate purpose to infringe, and such a purpose is not found where the validity of the patent and any possible infringement is open to honest doubt. *Artmoore Co. v. Dayless Mfg. Co.*, 7 Cir., 208 F.2d 1, 5.

On August 20, 1958, Jacuzzi Bros. received written notice from counsel for Landon, charging infringement of the Cavenah patent. Counsel for Jacuzzi Bros. gave study to the matter and therefater advised their client that the Cavenah and Pace patents were invalid. Landon thereafter charged Jacuzzi Bros. with infringement of both patents, whereupon Jacuzzi promptly filed its action, involved on this appeal, for a declaratory judgment of invalidity and non-infringement.

While this action was pending the infringing activity of Jacuzzi Bros. continued. On January 3, 1961, another judge of the same district court rendered a decision in another case, not involving Jacuzzi Bros., in which the validity of the Pace and Cavenah patents was upheld. See *Landon, Inc. v. Marine Swimming Pool Equipment Co.*, S.D. Cal., 195 F.Supp. 41. Notwithstanding this decision, of which it had knowledge, Jacuzzi Bros. continued its infringing activity and this went on even after the district court in the case before us also ruled that the patents were valid.

Substantially the same circumstances exist with respect to the infringing activity of International.

We hold that the finding that the infringing activity of Jacuzzi Bros. and International was wilful, intentional and deliberate is supportable in the record with regard to all such conduct commencing within a reasonable time after the decision was rendered in *Landon, Inc. v. Marine Swimming Pool Equipment Co.*, on January 3, 1961. As for any infringing activity occurring prior thereto, the finding is clearly erroneous.

Personal Liability of Rodolfo

The district court adjudged that Rodolfo as well as International, had infringed the Pace and Cavenah patents ". . . by the manufacture and sale of International Manufacturing Co., Inc. skim filters." The damage award for infringement accordingly ran against both International and Rodolfo.

Rodolfo, construing the award of damages against him as predicated solely on the theory that International was his alter ego, argues that the undisputed facts do not establish a basis for applying here the concept of alter ego.

While the district court concluded that International was the alter ego of Rodolfo, we do not believe that this was the only basis of the award against him. The applicable conclusion of law recites among other things that Rodolfo was in personal control of International and acted as its guiding spirit and the active directing hand in full charge of its operations. In pertinent findings of fact, it was additionally found that Rodolfo ". . . directed the manufacture and sale of the accused International Manufacturing Co., Inc. skim filter."

In our view this conclusion and this finding called for application of 35 U.S.C. § 271(b), which provides that "(w)hoever actively induces infringement of a patent shall be liable as an infringer." As in *Marks v. Polaroid Corp.*, 1 Cir., 237 F.2d 428, 435, so here, Rodolfo was the moving, active conscious force behind International's infringement. Under 35 U.S.C. § 271(b) he is therefore subject to personal liability without regard to whether International is his alter ego.

Patent Misuse

Appellants argue that Landon was guilty of patent misuse, because it adopted a policy of mandatory package licensing of both the Cavenah and Pace patents. The trial court found that, although the two patents were issued at different times, they together covered only a single article. No commercially feasible device could be manufactured under one of the patents without infringing the other. For this reason, Cavenah and Pace were found to be blocking, or interlocking, patents.

Landon's first efforts to license manufacturers under the Cavenah patent alone were frustrated by the manufacturers' unwillingness to accept Cavenah without also being licensed under Pace. In order to end this impasse, Robert M. Pace, then owner of the Pace patent, and Landon entered an agreement whereby (1) the Pace patent was assigned to Landon, (2) Landon granted Robert Pace a royalty-free, non-exclusive license under both patents, (3) Landon promised to license the patents collectively only, and (4) Landon and Robert Pace agreed to share royalties according to a set formula.

No attempt was made to limit the number of licenses issued pursuant to this agreement. All licenses were offered under uniform terms and conditions to all who wished licenses. Since the agreement was entered into, no one has ever sought a license from Landon under the Pace patent alone or the Cavenah patent alone. Since the agreement was entered into no one has manufactured and marketed a Pace skim filter without also adding thereto the Cavenah vacuuming improvement.

The only aspect of the licensing policy which the appellants now attack is that of licensing both patents collectively and never individually.

The pooling of the patents, licensing all patents in the pool collectively, and sharing royalties is not necessarily an antitrust violation. In a case involving blocking patents such an arrangement is the only reasonable method for making the invention available to the public. *Standard Oil Co v. United States*, 283 U.S. 163, 170.[2]

[2]It is misuse of an otherwise lawful patent pool to attach price fixing agreements as part of the licensing of pooled patents. *United States v. Line Mineral Co.*, 333 U.S. 287. There was no price fixing agreement here.

Appellants argue, however, that mandatory package licensing of all the patents in a pool constitutes patent misuse. Although there is no case precisely in point, appellants call our attention to *American Securit v. Shatterproof Glass Co.*, 3 Cir., 268 F.2d 769, in which it was held that mandatory package licensing of the patents in that case fell within the tying prohibitions of the anti-trust law.

That case is different from the one before us in that it involved competing, rather than blocking, patents. In our opinion this distinction is an important one. Involved in the *Securit* case were method patents which, although they produced the same result, could possibly be used independently without infringing one another. The evil of mandatory package licensing in that case was the prospective licensee, in order to obtain a license under one patent, would be compelled to accept licenses under patents that were not necessarily needed. The same evil does not arise in mandatory package licensing of blocking patents. In such a case, the prospective licensee is being compelled to accept no more than he would, in any event, have to obtain in order to make worthwhile a license under any of the patents.

This analysis of the distinction between the *Securit* case and the one before us also suggests why mandatory package licensing of blocking patents does not constitute an unlawful tying arrangement. A tying arrangement involves two separate, distinct products.[3] As was stated in *Times-Picayune v. United States*, 345 U.S. 594, 614:

> "The common core of the adjudicated unlawful tying arrangements is the forced purchase of a second distinct commodity with the desired purchase of a dominant 'tying' product, resulting in economic harm to competition in the 'tyed' market."

It follows that it is not an unlawful tying arrangement for a seller to include several items in a single mandatory package when the items may be reasonably considered to constitute parts

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[3]The Supreme Court has defined a tying agreement as "an agreement by a party to sell one product but only on the condition that the buyer also purchases a different (or tied) product, or at least agrees that he will not purchase that product from any other supplier." *Northern Pac. R. Co. v. United States*, 356 U.S. 1, 5-6.

of a single distinct product. A license package containing blocking patents may be considered a single distinct product. By definition, blocking patents disclose interdependent parts of the same product. The product—in this case a skimming and filter device for swimming pools—is no less a single product because its novel aspects are disclosed by two interlocking patents. In such a case, not only is it not unreasonable to treat both patents as constituting a single product, but also licensing them in a package deal appears to be the most practical way of making them available for public use.

There is a further consideration which supports the result we reach here. If we were to condemn mandatory package licensing of blocking patents as a patent misuse, an owner of a blocking patent complex would be compelled to license only a part of the patent complex. This would be true even though he knew full well that the licensee would be able to use the patents only by violating the remaining unlicensed patents.

A patent infringement suit arising from such circumstances could produce only one of two results: (1) it would be held that the licensee has obtained a useless license because it cannot be used without infringing other outstanding patents, or (2) it would be held that the license of part of the blocking patent complex carried with it an implied license to utilize the remaining part of the complex.[4]

The only relief a court could logically give in such a case is a privilege to use all the blocking patents or none of them. For this reason, we cannot see how it would be unreasonable for the parties, under these circumstances, to negotiate on an all or nothing basis from the beginning.

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[4]Landon argues that an express license under one patent carries an implied license under any other patent owned by the licensor which will be infringed by operation under the grant. See *National Rubber Machinery Co. v. McNeil Machine & Engineering Co.*, 6 Cir., 132 F.2d 436, 438; *Frederick B. Stevens, Inc. v. Steel & Tubes, Inc.*, 6 Cir., 114 F.2d 815, 819-820. The appellants argue that, on the contrary, the granting of a license under part of a blocking patent complex does not necessarily result in an implied license under the rest. See *Duval Sulphur & Potash Co. v. Potash Co. of America*, 10 Cir., 244 F.2d 698, 701. We do not decide which theory is correct since the issue is not before the court in this case.

Appellants argue that mandatory package licensing of blocking patents should not be condoned because it may result in a prospective licensee being compelled to accept an entire license package—thought by its owner to contain only interlocking patents—even though the licensee believes that he can produce a commercially feasible product under only part of the license package.

This argument is premised on a hypothetical set of facts not involved in our case. If we had a case where the licensee could produce a commercially acceptable product utilizing one patent but not infringing the others in the package, then clearly we would not have a case involving blocking patents. That we do not have such a hypothetical case is confirmed by the fact that appellants have not attempted to show what kind of device could be made under one of the patents in this case without violating the other.[5] It is further confirmed by the fact that the product that the appellants did in fact manufacture infringed both patents.

Appellants further argue that the result we reach is undesirable because it may bring about mandatory package licensing of patents, all of which appear to be interlocking but which are not all valid. The prospective licensee, in being compelled to accept licenses under all of the patents, would arguably be prevented from ever successfully challenging the invalid patents. The difficulty with this argument, again, is that it poses a hypothetical set of facts not involved in our case. It would be a patent misuse to force a licensee to accept a license under an invalid patent as the condition for receiving a license under a valid one. But such a case is not involved here, since both the Cavenah and Pace patents have been found to be valid.

The judgments are reversed in part on the issue of wilfulness, and otherwise affirmed. Appellee will recover costs on the appeals.

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[5]On cross-examination, Jack E. Hursh, one of Landon's attorneys, testified that the invention of the Pace patent can be used without using the invention of the Cavenah patent, and that possibly a structure can be made which would infringe the Cavenah patent without infringing the Pace patent. This testimony, however, dealt with hypothetical possibilities insofar as physical structure is concerned, and not with any practical use which could be made of the structure. The uncontradicted evidence is that the only commercial market, or desire on the part of the public, is for a skim filter unit utilizing the inventions of both Pace and Cavenah, and the court so found.

Appendix C

In the United States District Court
Northern District of California
Southern Division

Civil Actions Nos. 38,754 and 38,871

Landon, Inc., a corporation,
Plaintiff,

vs.

International Manufacturing Co., Inc., a corporation, and Rudolph Jacuzzi, an individual,
Defendants.

Jacuzzi Bros., a corporation,
Plaintiff,

vs.

Landon, Inc., a corporation,
Defendant.

ORDER FOR JUDGMENT IN FAVOR OF LANDON, INC.

These cases having been tried, argued, briefed and submitted for decision and the same having been fully considered,

The Court finds that the patents in suit are valid, and concurs in the decision* of Judge Yankwich (No. 480-60-Y,

*Hereto annexed.

U.S.D.C., S.D. of California, Landon, Inc. v. Marine Swimming Pool Equipment Co.

It Is Ordered that judgment be entered in favor of Landon, Inc. and against International Manufacturing Co. in case No. 38754 and in favor of Landon, Inc. and against Jacuzzi Bros. in case No. 38871, upon preparation of findings of fact, conclusions of law and judgment pursuant to this Order.

Dated: September 12, 1961.

George B. Harris,
United States District Judge.

Filed, September 12, 1961,
James P. Welsh, Clerk.

In the United States District Court
Southern District of California
Central Division

No. 480-60-Y

Landon, Inc., a corporation,
Plaintiff,
vs.
Marine Swimming Pool Equipment Co., a corporation,
Defendant.

DECISION

The above entitled cause heretofore tried, argued and submitted is now decided as follows:

Upon the grounds stated in the Comment to follow the Court finds that the claims of Letters Patent No. 2,826,307, issued to R. M. Pace on March 11, 1958, especially Claim 2 thereof, and the claims of Letters Patent No. 2,844,255, issued to D. K. Cavenah, et al., on July 22, 1958, especially Claim 4 thereof, are and each of them is valid and infringed by the defendant's devices.

Judgment will be for the plaintiff as prayed for in the Complaint. Single damages to be ascertained upon reference to a Master when the interlocutory decree shall have become final, unless the parties shall agree upon a basic licensing fee. (35 U.S.C.A., § 284)

Costs to the plaintiff. No attorneys fees. (35 U.S.C.A. § 285) Formal findings and judgment to be prepared by counsel for the plaintiff under Local Rule 7.

COMMENT

It is accepted law that when a patent combines elements which produce, in combination, a new, better or different result there is invention over the prior art. (1 Walker on Patents, Deller's Ed., 213, 215-216; 2 Ibid, 788-789; Hailes v. Van Wormer, 1874, 87 U.S. 353, 368-369; Brinkerhoff v. Aloe, 1892, 146 U.S. 515, 516; Himes v. Chadwick, 9 Cir., 1952, 199 F.2d 100, 106; Great Lakes Equipment Company v. Fluid Systems, Inc., 6 Cir., 1954, 217 F.2d 613, 617; Cold Metal Process Co. v. Republic Steels Corp., 6 Cir., 1956, 233 F.2d 828, 829; Application of Wynne, CCPA, 1958, 255 F.2d 956)

The patented device is a valid combination which conforms to this principle. In essence, what was done is to combine the skimming operation with the filtering operation of swimming pools into one apparatus in which "the old elements perform a new function in their new environment." (Cold Metal Process Co. v. Republic Steels Corp., supra p. 839)

The old elements contained in the two apparatuses which the patented device combined were the weir, the throat, the removal basket and the waffle-type filters. New elements were also introduced.

As to the *Pace* patent the new element is the tank which has the skimming element formed as a part of it and which is capable of receiving both the basket and the filter element, which has in its bottom the removable fitting for receiving the core of the filter, the fitting being connected with a pipeline that runs to the pump.

As to the *Cavenah* patent the new elements are a vacuum intake below the weir throat and a shutoff plate

seat in the tank below the weir throat, a removable shut-off plate to seat on that seat so as to shut off the flow from the weir and enable the vacuum to pull through the tank, the filter and the pump.

The new device has better visual appearance; it is lighter, easier to operate and can be operated and cleaned more economically and without waste of water. Indeed, it can be operated and cleaned by unskilled labor, whereas the other two require skilled labor.

The combined apparatus prevents the accumulation of foreign matter in the pipes, protects the pump, and requires less maintenance and service. So, on the whole, we have a combination which achieves easier, better, newer and more economical results than the devices, the elements of which it has successfully combined. This is invention.

That the accused device infringes the patents in suit cannot be doubted. The deviations in its construction are not sufficient to avoid infringement. I am also of the view that the patent is valid and that not one of the patented devices cited, as to either patent, is anticipatory of or achieves these results in this manner.

Without going into a detailed analysis I state that this is also true of the best references cited as to *Pace*, such as British Patent 557,393, Wall 1,687,027, MacKinley 1,850,393 or Kracklauer 2,639,291, and those cited as to *Cavenah*, such as Pace 2,844,255, Wise 1,074,769, King 2,701,235 or British Patent 348,794.

Hence the ruling above made.

Dated this 3rd day of January, 1961.

Leon R. Yankwich,
U. S. District Judge.

Tuesday, April 24, 1962

REMARKS OF THE COURT

The Court: Any further comments, gentlemen?

Mr. Neal: No, Your Honor.

The Court: The matter is submitted on the evidence. My determination in connection with this case is probably as good now as it will be 30 days from now or two weeks, or a day.

I have heard a great deal of the evidence in one form or another and the case has occupied a great deal of the attention of the Court. It has had many unusual facets, and when counsel refers to the elephant, I sometimes wonder, without being facetious, the particular part of the elephant that had been presented to the Court. Probably obscured by the magnitude of the elephant, I am unable at this juncture to see or perceive any violation of the Sherman Act.

I have tried many of these cases in different forms and, in my opinion, from the evidence collated and presented to me and referred to in the record, there is no evidence to support a finding made by this Court that the defendant Landon, or cross-defendant Landon, was or is guilty of a violation of the Sherman Antitrust Act.

And above and beyond that, I would be unable to point, and I ask counsel to point, to any evidence of conspiracy, and one would have to strain and indulge in unfair inferences to glean anything from the record that would even approximate a conspiracy.

As I see the case reduced to its simplest form, Pace and Landon, after legal opinion on the part of Mr. Hursh, sought to and did enter into an agreement, and as a result of the pact, they sought to and did protect the agreement and advance it in the form of traditional type of licensing.

The evidence, in my opinion, is bare of any misuse, unless, of course, we again indulge in presumptions not borne out by the record.

Counsel for Jacuzzi and International points to different segments, different parts of the record, and attempts to correlate them, but they fall of their own weight because underlying this whole case is, in my opinion, an attempt to build up a cross-bill and a defense wherein the evidence was barren of any support.

With respect to the infringement, it is conceded in court that the International represents a so-called "Chinese copy" and I find that International has infringed the basic *Jacuzzi* patents, including the Pace—

Mr. Mellin: You mean Cavenah.

The Court: I beg pardon.

Mr. Mellin: You said Jacuzzi; you meant Cavenah.

The Court: Cavenah. Pardon me, Cavenah.

With regard to the situation confronting the Court in connection with Jacuzzi, if the Court accepts the doctrine of Sanitary Refrigerator Company v. Winters, wherein it was said at 280 U.S., page 42:

> "Authorities concur that the substantial equivalent of a thing in the sense of the patent law is the same as the thing itself, so that if the two devices do the same work in substantially the same way and accom-

plish substantially the same result, they are the same, even though they differ in name, shape or form."

It is quite evident that the filters do differ in shape and form but they do accomplish the same result in about the same way.

The only problem that I see and that now confronts me, and that I haven't been able to orient myself to with any degree of finality, is the circumstance advanced by counsel representing Jacuzzi that the doctrine of estoppel under the file wrapper applies, and as to that point I should like a memorandum on both sides so that I may orient myself to the particular problem involved. It was difficult for me to follow—perhaps I am obtuse or maybe I am tired—the specification under Claim 10 as it related to 5, 8 and through 10.

If as contended for by Mr. Neal the doctrine of estoppel applies, then he advances the argument that the rule that is announced in the case recently adverted to does not apply. I should like a short brief on that.

As to International, there isn't any question in my mind as to infringement.

The cross-bill in this case predicated upon the alleged or asserted violation of the Sherman Act is to a large extent predicated upon the Dairy Foods case reported in 297 Fed 2d 805. It is probably unnecessary for me to indicate my opinion concerning the question whether or not the expenses of litigation afford the basis for a claim for damages to property or an injury to property, or a legal injury in contemplation of the Clayton Act or the Sherman Act. In this regard I would agree with the concur-

ring opinion by Circuit Judge Schnackenberg wherein he points out:

> "No citation of any statutory authority has been made to show that the financial burden of the expenses of defense of litigation has been treated by the courts as damages to be recovered other than costs and attorneys' fees. Moreover, the common law rule is well settled that with the exceptions of costs and attorneys' fees, there can, as a general rule, be no recovery as damages of the cost and expenses of litigation."

This rule has been repeatedly recognized in the federal courts. Actually, the only matters pleaded in the counterclaim to show injury are this defendant's expenses in defending itself in this case brought by plaintiff and in investigating plaintiff's patent. These do not appear to me to constitute such injury to business or property sustained by the defendant as will support the counterclaim charge of an antitrust violation.

In the case at bar, the only claim made by Mr. Neal in connection with the injury is that occasioned as a result of the alleged costs and expenses of defending actions. I would be of the opinion, in concurring with Judge Schnackenberg, that that is not sufficient to avoid the application of the rule of Wolf v. National Lead Company in 225 Fed 2d 427, wherein my late colleague, Judge Goodman, was affirmed by the Court of Appeals, Justice McAllister speaking for the court, holding that the essential ingredient of this type of suit for an antitrust action, it being a private suit, must necessarily rest upon proof of injury in contemplation of that type of injury

traditionally shown in private damage suits; that is, an injury to the property as such, or a loss or damage that might be shown.

I may or may not have mentioned the general assertion made as to the misuse of the patent. I can find no evidence of misuse.

The Court is next confronted with the question whether or not attorney's fees should be allowed in the light of the general contours that the case has taken, and whether or not the contention advanced that this is a case for increase of damage is borne out by the record. I should consider this phase of the case temperately, and although I feel that Jacuzzi and International have sought to inject in this controversy every conceivable type of defense with or without merit, nevertheless, I should like to reserve judgment and consider that phase of the case along with the question of attorneys' fees at a later date, upon notice.

I shall also receive from counsel the short brief bearing upon the question of estoppel under the file wrapper.

Mr. Mellin: One point, Your Honor, is whether or not the Jacuzzi device is an infringement of the Cavenah patent.

The Court: Of the Cavenah.

Mr. Mellin: I didn't understand Your Honor to rule on that. The estoppel question comes up in the Pace patent.

The Court: That's right.

Are there any other questions, gentlemen, that you have in mind?

Mr. Mellin: What I tried to tell the Court—I just simply wanted to make it clear the Court didn't seem to rule as to whether or not the Cavenah patent was infringed by the Jacuzzi device.

The Court: I thought I ruled on that.

Mr. Mullin: I don't have it in my notes. I don't think so, Your Honor. You ruled on the Cavenah patent with respect to International and then you asked for briefs in connection with the infringement of the Jacuzzi of Pace, you know, in which the estoppel question arose, but that estoppel question wasn't raised in the Cavenah matter. It is a different question.

The Court: There isn't any question in my mind, gentlemen—some higher court may feel otherwise, but I feel that the Jacuzzi patent certainly comes within the scope and intendment of the rule as announced in the Sanitary Refrigerator case. I can't see any other reasonable or logical conclusion, and, accordingly, I so rule, that there has been an infringement.

Mr. Mellin: In other words, as I understand Your Honor's ruling, the Jacuzzi device infringes the Cavenah patent?

The Court: That is what I intended to say.

Mr. Mellin: Thank you, sir.

I would ask the reporter to correct "patent" to "device."

The Court: The record may be so corrected.

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In the United States District Court
Northern District of California
Southern Division

Civil Action No. 38,871

Jacuzzi Bros., a corporation, Plaintiff, vs. Landon, Inc., a corporation, Defendant.	Civil Action No. 38,871

FINDINGS OF FACT AND CONCLUSIONS OF LAW

FINDINGS OF FACT

AS TO THE VALIDITY OF THE PATENTS IN SUIT

The Parties

1.

Landon, Inc. is a corporation of California and has a principal place of business at San Carlos, State of California, within the Northern District of California, Southern Division.

2.

Jacuzzi Bros. is a corporation of California and has a principal place of business at Richmond, State of California, within the Northern District of California, Southern Division.

The State of the Art

3.

The Court finds, from the uncontradicted testimony in this case, that for more than ten years prior to the time of the invention disclosed in the patents in suit, there was available to the swimming pool industry, from a practical viewpoint, only a single type of pool filtering apparatus for pools other than relatively large commercial pools. This apparatus was of the sand and gravel type requiring one but usually more than one relatively large tank containing sand and gravel, which tanks were positioned above ground thirty to sixty feet from the pool because of the deck space they required and because of their unsightly appearance. In addition to unsightliness, this type of filtering apparatus had a number of recognized disadvantages, among which were:

(a) the high cost of the filtering equipment and high cost of installation;

(b) this type of equipment required backwashing at regular intervals to clean the filter media, and each such backwashing required the use and waste of hundreds of gallons of water, and also required a sewer connection or equivalent disposal connection to the filter for the waste water disposal;

(c) high maintenance cost, particularly periodically when skilled labor was required to change the filter media;

(d) relatively short-lived, because the tanks (due to cost) had to be of ferrous metal, and rusting caused tanks to leak and to require replacing;

(e) water from the pool (even when a weir throat was provided) necessarily traversed through restricting pipe directly into a pump before reaching the filter, thus causing the water from the pool to flow through a restricted orifice and presenting the hazard of clogged pipes and prematurely worn pump because foreign matter, such as sand, lint and oils, traveled through the pipe and pump before being filtered.

4.

That for years the industry recognized the shortcomings and disadvantages of the sand and gravel filters and sought an answer to the problem, but the problem remained unsolved and the industry remained saddled with the costly and inefficient sand and gravel filters until the advent of the filter apparatus of the patents in suit.

5.

That at the time of the inventions there existed and was known a diatomaceous earth type of filter for large public type pools. This filter was of the general type shown in Exhibits AH and S and was far too costly to build and maintain to be used except in connection with relatively few and relatively large public pools.

The Pace Patent in Suit No. 2,826,307

6.

That the invention of the Pace patent produced a pool skim filter having a new mode of operation and producing new results, and producing the old ultimate result of

filtering in a more facile, economical and efficient way, as follows:

(a) The invention produced a complete skimming and filtering device which could easily be positioned out of sight at pool side with only a relatively small deck plate (flush with the pool deck) being visible, thus not detracting from the decorative surroundings of the pool; this in contrast with the prior unsightly sand and gravel filters;

(b) by the invention, a complete skimming and filtering device was provided which was small and compact as well as being light in weight, thus enabling it to be delivered to the job in the trunk of an automobile and handled and installed easily by one man; this in contrast with the bulky, heavy sand and gravel filters and over a ton of filter media requiring the use of a truck to deliver and at least two men to handle and install;

(c) by the invention, a complete skimming and filtering device was provided which could be positioned and cemented in place easily during the pouring or guniting of the pool; the prior sand and gravel filters required a separate concrete slab for mounting;

(d) by the invention, a complete skimming and filtering device was provided which could be purchased and installed at a cost from one-third to one-half less than that of a sand and gravel filter system of comparable capacity and filtering efficiency; for example, in systems of equivalent capacity, for one pool size, the cost of a sand and gravel system installed is $736.51 as against $389.10 for the system using the patented skim filter;

(e) by the invention, a complete skimming and filtering device was provided which requires no backwashing and

no sewer or waste disposal connection as its filter can be removed by the pool owner and cleansed by washing off with a garden hose with something less than forty gallons of water; this in contrast with the use and waste of four hundred to one thousand gallons of water required to backwash a sand and gravel filter, the necessity of a sewer or equivalent connection to dispose of the wasted water, and the replacement in the pool of the water wasted in backwashing;

(f) by the invention, a complete skimming and filtering device was provided which can be easily serviced by the pool owner even to the extent of replacing the entire filter element; all that is required when cleaning the filter is to remove the light, relatively small filter element through the top of the tank and wash it off with a garden hose and replace it; if a new filter element is required, it is only necessary to simply remove the old and lower a new one into the tank; this in contrast with the requirement of skilled labor and long hours of work in replacing the filter media in the sand and gravel type; and

(g) by the invention, the water to be filtered entering the skimmer flows completely unrestricted directly to the filter without traveling through a pipe or any restricted orifice, thus eliminating the possibility of pipe clogging; also, the water is filtered before reaching the circulating pump and this eliminates premature wear on the pump.

7.

The combination device of the Pace patent in suit has a mode of operation which is new in the art and the combining of the elements into the patented device, as taught

by the patent, to produce this new mode of operation and the new, different and additional results, and to effect the old ultimate result of pool filtering in a more facile, economical and efficient way, was not obvious to persons having ordinary skill in the art at the time the invention was made.

8.

By combining the elements forming the patented skim filter in the novel manner taught by the Pace patent, every element coacts with every other element to produce new, additional and different functions and results which were new in the art, and to effect the old ultimate result of filtering of a swimming pool in a more facile, economical and efficient way, as set out in Finding of Fact No. 6.

9.

Although the solution, by the invention of the Pace patented device, to the problem confronting the industry seemed simple once it was disclosed by the inventor, it escaped the experts in the industry for over ten years and hence the Court finds that the patented apparatus involved invention and not merely mechanical skill.

10.

Even though the skimming and filtering elements of the Pace patented combination are separately old in the filtering art [for example, separate skimmers are shown to be old in Exhibits D, F, K, AE, AI and King Patent No. 2,701,235, and filter elements per se are shown to be separately old in Exhibits L, M, N, P, Q, R, AF, and the patents to Fellows No. 1,989,795, Lowe British No.

557,393 (included in Exhibit A), and Townsend No. 2,507,127 (included in Exhibit 6)], the concept of combining these two separately old elements with a new element (the tank) in a manner enabling the water to be filtered entering the skimmer, to flow unrestricted to the filter and thence to the pump, produced a skim filter having a new mode of operation producing new results, and the old ultimate result of pool filtering in a more economical, efficient and facile manner as set out in Finding of Fact No. 6, and this combination was not obvious to one skilled in the art at the time the invention was made and constituted invention.

11.

The prior King Patent No. 2,701,235 (included in Exhibit A) is pointed to by the defense as an anticipation of the Pace patent, the defense contending that this patent shows the combination of the Pace patent. The Court rejects this contention and finds as fact that the King patent disclosure necessarily requires, to accomplish its purpose, intersecting vertical and horizontal pipes (numbered 9 and 16 in the King patent drawing) between the separate skimmer and separate remotely placed filter tank. The construction of the King apparatus enables sand and like heavy debris entering the skimmer to drop back into the pool through pipe 16 (of the King drawing) and opening 33 (of the King drawing). The Court also finds as a fact that to reconstruct the King apparatus to meet the patented apparatus would:

(a) completely change the construction of the King apparatus as disclosed;

(b) completely change the mode of operation of the King apparatus as disclosed; and

(c) entirely transform the King concept.

12.

The apparatus of the King patent is incapable of producing the results of the Pace combination as set forth in Finding of Fact No. 6, and it is constructed and has a mode of operation materially different from the patented combination.

13.

The Cunliffe Patent (British No. 348,794) and the Iki patent No. 1,245,721 (both included in Exhibit A) are so entirely and substantially different from the Pace patented combination, both in construction, mode of operation and results produced, that any contention that they individually or collectively anticipate the Pace invention is completely without merit. The Cunliffe patent discloses a water circulating and screening system for swimming pools. The Iki device shows a water circulating and purifying tank for feed water systems for boilers, and neither is adapted for nor capable of operating in the manner of the patented skim filter nor capable of producing its results.

14.

The prior art books, AH, S and Y, disclose that broadly speaking "vacuum diatomite filters" were old in the art, but these prior filters are of no pertinency as anticipations of the inventions of the Pace patent in suit because these filters are not constructed nor do they operate

in any fashion as does the apparatus of the Pace patent in suit, nor do these prior filters include (except broadly a filter) the elements of the Pace patented combination.

The Cavenah Patent in Suit No. 2,844,255

15.

The invention of the Cavenah Patent No. 2,844,255 in suit is the concept of providing the patented combination of the Pace Patent No. 2,826,307 with additional new elements to equip the Pace patented skim filter with the additional function or ability, which is to vacuum the bottom of the pool. The new elements include the vacuum intake below the weir throat, shut-off plate seat between the weir throat and the vacuum intake, and a removable shut-off plate (removable both from the seat and tank) to seat on that seat and shut off the flow from the weir to the filter chamber to enable the pump to create a vacuum through the vacuum intake (to which a vacuum hose and fitting communicates) to draw the water directly into the filter chamber, through the filter element to the pump.

16.

The contribution of the Cavenah invention to the Pace combination was a valuable contribution to the art, and the combination claimed by the Cavenah patent has a new mode of operation and produces the old ultimate result of pool vacuuming in a more facile and efficient way.

17.

The combination device of the Cavenah patent in suit has a mode of operation which is new in the art, and the

combining of the old elements and the new elements into the patented device, as taught by the patent to produce this new mode of operation and the new, different and additional results, and to effect an old ultimate result in a more facile and efficient way, was not obvious to persons having ordinary skill in the art at the time the invention was made.

18.

By combining the old and new elements forming the apparatus of the Cavenah patent in suit, every element coacts with the remaining elements to produce new, additional and different functions and results which were new in the art, and to effect the old ultimate result of vacuuming a pool in a more facile, economical and efficient way.

19.

The prior King Patent No. 2,701,235, and the prior Cunliffe British Patent No. 348,794 (both included in Exhibit A) show means of vacuuming a pool. These prior patents do not disclose the combination disclosed and claimed in the Cavenah Patent No. 2,844,255 or an equivalent apparatus. In construction and mode of operation the Cavenah apparatus is substantially different from the King and Cunliffe disclosures and the latter do not anticipate the Cavenah invention.

20.

The Pace Patent No. 2,826,307 in suit, although prior to the Cavenah Patent No. 2,844,255 in suit, does not anticipate the Cavenah invention nor negative invention therein, in that the Pace combination does not include the

new elements or the new functions of the Cavenah concept nor produce the new additional results of the Cavenah invention. Even in view of the Pace apparatus, the Cavenah invention was not obvious to one skilled in the art at the time the Cavenah invention was made.

Immaterial Prior Art

21.

That the patents to Greth No. 1,144,327, Test No. 1,917,614, Shawhan No. 2,167,466, and Leslie No. 2,809,752, also offered in evidence (included in Exhibit A), are completely inmaterial as anticipations of the Pace and Cavenah inventions in that they disclose circulating systems and apparatus completely foreign in construction and mode of operation to the patented combinations. The Pace Patent No. 2,900,079 is subsequent to the Pace and Cavenah patents in suit and consequently is not prior art.

The Effect of the Inventions in the Industry

22.

Commencing in the year 1956, when the patented filters were first made known, and extending to the year 1961, the ratio of sales in the areas into which the patented filters were introduced, as shown by the evidence, was 75% to 80% patented skim filters and 20% to 25% sand and gravel filters, and that during that period in excess of 22,000 of the patented skim filters were sold.

23.

That following the introduction of the patented skim filters, all of the acknowledged leaders in the swimming

pool equipment industry, Paddock of California, National Pool Equipment Co., Swimquip, Inc., and Ryder-Elliott, Inc., paid tribute to the inventions by taking licenses under the patents in suit and paying royalties for the use of the inventions.

Prior Art Previously Considered

24.

That the best and most pertinent prior art relied upon at the trial as invalidating the patents in suit was before and considered by the United States Patent Office during the examination of the applications for the patents in suit.

25.

That the best and most pertinent prior art relied upon at this trial as invalidating the patents in suit was previously in evidence and before the United States District Court for the Southern District of California, in Civil Action No. 480-60-Y, known as "Landon, Inc. v. Marine Swimming Pool Equipment Co.," in which previous action the present patents in suit were adjudged to be valid.

As to Infringement of the Pace Patent

26.

The skim filter of the Pace patent in suit and both of the accused Jacuzzi Bros. skim filter devices, Landon Exhibits 25 and 26, comprise essentially a substantially cylindrical filter housing (sometimes called a tank) adapted to be mounted adjacent a swimming pool with its upper end above the normal water level of the pool and flush with the pool deck and with its lower end below the

water level in the pool. The housing has a substantially horizontally projecting neck constituting a water passage between the interior of the housing and the pool. A buoyant weir is disposed in the neck and water passage to perform a skimming function on the water coming into the filter housing from the pool. A removable filter element assembly is disposed in the housing below the water level of the pool. In operation, the surface water of the pool flows from the pool over the buoyant weir to and through the filter element for filtering and filtered water passes to an outlet in the housing directly to the suction intake of a pump which draws the filtered water through the outlet and pumps it back to the pool.

27.

Both of the accused devices differ but colorably only from that disclosed in the Pace patent in that the accused devices use a plurality of tubular sock-type filter elements which are made of fabric, whereas, in the Pace skim filter, the filter elements are in the form of fabric disc-like filter elements.

28.

The specific sock-type filter elements used in the accused device were well known in the art for filtering water prior to their use in the accused device and prior to the invention of the Pace skim filter.

29.

The disc-like filter elements shown in the Pace patent in suit were well known in the filtering art prior to the invention of the Pace skim filter.

30.

The sock-type filter elements and the disc-type filter elements are fully equivalent in that in each case water is filtered in precisely the same manner with equal efficiency; the only difference being that in the sock-type the water passes from the interior to the exterior thereof, whereas in the disc-type the water passes from the exterior thereof to the interior thereof without any change in the filtering function or filtering efficiency.

31.

In the accused filters the sock-type filter elements are separately removable through the open upper end of the housing for cleaning, while in the Pace patented disclosure all of the disc-type filter elements are removable through the open upper end of the housing as a unit; this difference is an immaterial difference in the form of the specific filter elements only and does not affect any substantial change in mode of operation, function or result.

32.

In the accused filters the hollow core which receives the filtered water from the filter elements and directs it to the intake of the pump remains fixed in the housing due to the fact that the filter elements are not attached to it and are separately removable from the housing, however, in operation the filtered water, after passing through the filter elements from the inside to the outside, passes into the hollow core and thence to the intake of the pump. In the Pace patented disclosure the disc-type filter elements are fixed on the hollow core and all are removable as a unit

through the upper end of the housing and the water passes from the outside to the inside of the filter elements into the hollow core and thence to the intake of the pump. These differences in construction are insubstantial and do not, except in a colorable manner, change the mode of operation of the skim filters and the result produced is precisely the same. I reject all of the testimony of the witness, Mr. Nash, given in the form of expert opinion or conclusions to the effect that such changes are substantial in nature and effect substantial changes in the mode of operation and results obtained as being contrary to the facts.

33.

The difference between the two accused devices is insubstantial in that in the earlier model of the two (Exhibit 25), the hollow core which receives the water from the filter elements was located centrally of the housing (as it is in the Pace patent), while in the later model (Exhibit 26) the hollow core is located in an eccentric position, without, however, any change in the filtering operation or mode of operation or results produced.

34.

The form, function and filtering abilities of both types of specific filter elements (the sock-type and the disc-type) were old and well known long prior to the Pace and Cavenah inventions in other filtering systems.

35.

I find that both of the accused skim filters are the full equivalent, both structurally and functionally, of the skim

filter combination disclosed and claimed in the Pace patent in suit in that the accused skim filters operate in substantially the same way by substantially the same means to accomplish the same result as does the patented skim filter. In mode of operation and function, in each case the surface water from the pool passes over the top of the buoyant weir and flows into the filter housing. In each case, the water then passes through the filter elements, with the dirt in the water being trapped thereby, to an outlet in the housing to the intake of the pump.

36.

I find that Jacuzzi Bros., although making insubstantial changes in construction, has taken the heart of the Pace invention and that the insubstantial changes merely resulted from the substitution of an old and well-known form of filter element assembly in the accused filters for the old form of filter element assembly shown in the Pace patent.

37.

I find that the various minor structural differences between both of the accused filters and the Pace filter are insubstantial and have resulted merely because of the structural requirements necessary to complete the substitution of the old sock-type filter elements. These structural differences do not affect in any way the mode of operation or result of the accused skim filter as compared to the Pace skim filter.

38.

The accused Jacuzzi Bros. skim filters, as the result of substituting the old sock-type filter elements for the disc-

type filter elements of the Pace patent, are less efficient than the patented skim filters in that they are more expensive to manufacture and require a larger and more expensive housing to obtain the same amount of filter area.

39.

The Court also finds that each element of the combination claimed by Pace in the Pace patent finds its full functional, structural and mechanical equivalent and counterpart in the elements used by Jacuzzi Bros. in both of the accused skim filters.

40.

It appears that in both of the Jacuzzi Bros. accused devices the flow of the water is from the inside of the sock-type filter elements to the outside thereof and thence into the hollow core, rather than from the outside of the filter element into the interior thereof and thence into the hollow core as in the Pace disclosure. I find that this difference is functionally immaterial and the two are full mechanical equivalents.

41.

It appears that the location of the outlet from the housing of the accused Jacuzzi Bros. skim filter, Landon Exhibit 26, is located on the side of the housing instead of at the bottom of the housing, as shown in the Pace patent in suit, but nevertheless I find that this difference in location is immaterial functionally and that in spite of this colorable difference, this accused skim filter is the full structural, mechanical and functional equivalent of the patented Pace skim filter.

42.

During the prosecution of the Pace patent in suit, the Patent Office at no time rejected any claim of the Pace patent as being unpatentable over a device having a sock-type filter of the kind used in the accused Jacuzzi Bros. filter or required the claims to be limited to a disc-type filter. Even though the claims submitted during the prosecution of the Pace patent in suit specified a stacked disc-type filter element, the prior art did not require such specification. Pace at no time, directly or by inference, disclaimed the use of an equivalent sock-type filter in the combination claimed by Pace.

43.

The Court finds that Landon, Inc. is not reclaiming any ground given up during the prosecution of the Pace patent in suit by claiming here that the old sock-type filter element is the full equivalent of the stacked disc-type filter element specified in the claims of the Pace patent.

44.

Claims 1, 2, 3 and 4 of the Pace patent in suit read on the Jacuzzi Bros. accused skim filter in every respect except that each claim calls for the stacked disc-type filter elements disclosed in the Pace patent in suit. However, I find that the sock-type filter element assembly used by Jacuzzi Bros. is the full mechanical, structural and functional equivalent of the stacked disc-type filter element shown in the Pace patent in suit, both when the two filter elements are considered by themselves and also when these filter elements are employed in the combination

invented by Pace. I find this equivalency because such filter elements differ in shape and form only and not in function or result.

As to Infringement of the Cavenah Patent

45.

The Cavenah patent discloses the entire combination shown in the Pace patent as set out in Finding No. 1, but, in addition, adds an interior circumscribing shoulder or seat in the housing intermediate the inlet neck and the filter element assembly. A removable shut-off vacuum lid is provided to be removably seated on the said shoulder to effect a vacuum pull from the pump through the filter element assembly and a vacuum outlet to the pool. The latter may be in the vacuum lid or in the side of the housing. The patent discloses such connection in both places.

46.

The elements of the Cavenah filter added to the Pace filter, as set out in the previous finding of fact and as shown in the Cavenah patent in suit and as set forth in the Cavenah patent claims, each find full and complete correspondence in the accused skim filters made by Jacuzzi Bros., both structurally and functionally.

47.

The Cavenah vacuuming elements disclosed in the Cavenah patent in suit and the vacuuming elements of the accused skim filters all function exactly the same way by the same construction to accomplish exactly the same result. In each case, when the removable vacuum cover has

been removed, the filters operate to perform a skimming and filtering function, exactly as described above in connection with the Pace patent. When the removable vacuum cover is put in place, the normal flow of water from the surface of the pool over the weir and to the filter elements is cut off. Instead, flow can then place through a vacuum cleaner attachment which is connected to deliver water to the filter housing below the removable vacuum cover, exactly as described above in connection with the Cavenah patent. The vacuum cleaner attachment may then be used to clean the sides or bottom of the pool.

48.

I find that Jacuzzi Bros. appropriated the invention disclosed and claimed in Cavenah patent and has employed the same in a skim filter in which is substituted one well-known form of filter element in the combination for the well-known filter element shown in the Pace patent.

49.

Jacuzzi Bros. conceded during the trial that claims 1, 3, 4 and 5 of the Cavenah patent in suit read word for word on the accused device made by Jacuzzi Bros., and I find this to be so.

50.

The sock-type filter element used by Jacuzzi Bros. in their accused devices and the stacked disc-type filter elements shown in the Cavenah patent in suit operate in conjunction with the vacuuming improvement of the Cavenah patent in precisely the same way to produce exactly the same result.

51.

Claims 1 and 2 of the Cavenah patent in suit both specify, inter alia, "a vacuum cleaner attachment in said collector tank beneath said cover and said filter." I find that the accused Jacuzzi Bros. skim filters respond fully, both literally and in substance, to such specification.

52.

Claim 2 of the Cavenah patent in suit sets forth, inter alia, various details of the stacked disc-type filter element shown in the Cavenah patent in suit. I find that the sock-type filter element used in the accused devices is the full mechanical, structural and functional equivalent of the stacked disc-type filter element shown and claimed in the Cavenah patent in suit, both when considered separately from the combination shown in the Cavenah patent and when combined in the patented Cavenah combination, for the reasons expressed in connection with the infringement of the Pace patent.

53.

Claim 3 of the Cavenah patent in suit requires, inter alia, "a vacuum cleaner attachment in said tank beneath said cover." I find that the vacuum cleaner attachments of the accused skim filters are the full functional, mechanical and structural counterparts of the vacuum cleaner attachment shown in the Cavenah patent and claimed in claim 3.

54.

Claim 4 of the Cavenah patent in suit requires, inter alia, "a water inlet to said collector tank permitting flow

of water beneath said cover." I find that the water inlet to the collector tank (housing) of the accused Jacuzzi Bros. skim filters is the full structural, mechanical and functional equivalent of the water inlet shown in the Cavenah patent in suit and claimed in claim 4.

55.

Claim 5 of the Cavenah patent in suit requires, inter alia, "a water inlet in said tank delivering water beneath said cover." I find as a fact that the water inlet in the vacuum lid in the accused Jacuzzi Bros. skim filters is the full structural, mechanical and functional equivalent and counterpart of the water inlet shown in the Cavenah patent in suit and claimed in claim 5.

56.

The contention of Jacuzzi Bros. that claims 3 and 5 of the Cavenah patent in suit are incomplete is untenable. When the Cavenah device is being used with the vacuum lid in place for performing a vacuum operation, the Cavenah skim filter does not perform a skimming operation and the skimming weir therefore does not then cooperate with the elements which are employed in carrying out the vacuuming operation. I find that the elements set forth in claims 3 and 5 are complete in describing a device which can perform a vacuuming operation.

57.

Landon, Inc. commenced the manufacture and sale (before the patents issued) of the patented filters in late

1955 and they were sold in the very first part of 1956. Following the early marketing by Landon, Inc., Jacuzzi Bros. produced and sold a number of copies of the patented filters as put out by Landon, Inc., and thereafter changed the design thereof (late in 1957 or early 1958) to the design of the accused devices; and the Court finds as a fact that the production of the accused devices by Jacuzzi Bros. was prompted by the appearance of the patented filters and with full knowledge of their construction and mode of operation and were not independently conceived by Jacuzzi Bros., and that the Jacuzzi Bros. change to the present design was the result of a studied attempt to appropriate the heart of the inventions of Pace and Cavenah by colorably varying the details of construction thereof.

As to the Jacuzzi Patent

58.

The users of the accused filters, if they desire, can obtain from Jacuzzi Bros. a separate fitting for backwashing the sock-type elements of the accused skim filters one by one in addition to removing the elements for cleaning. The use of this additional fitting does not in any manner change the skim filter operation or results. The evidence shows that only a portion of the purchasers of the accused filters obtained such fittings and there is no evidence as to the extent of the use thereof by those obtaining them. The fitting and its use is best shown in Figures 3 and 4 of the drawings of a patent granted Jacuzzi Bros., No. 2,980,256, Exhibit AJ, granted lately, to wit, April 18, 1961.

As to Notice and Character of Infringement

59.

Jacuzzi Bros. continued its infringement of the patents in suit after it received notice of infringement from Landon, Inc., and after Judge Yankwich, in the case of Landon, Inc. v. Marine Swimming Pool Equipment Co., C. A. 480-60-Y, Southern District of California, Central Division, held the patents here in suit valid and even after this Court held the said patents valid.

60.

The infringement of the patents in suit by Jacuzzi Bros. was wilful, intentional and deliberate.

61.

Landon, Inc. properly marked the patented filters produced by it in accordance with the requirement of the applicable statute 35 U. S. C. 287.

62.

Jacuzzi Bros. had direct notice of the Cavenah patent upon its issuance and indirect notice of the issuance of the Pace patent.

As to Misuse, Unclean Hands and Antitrust Law Violation

63.

The Pace and Cavenah patents in suit are interlocking patents. The Pace patent discloses the general combina-

tion of a filter housing having a horizontal neck extending to and communicating with the pool. A weir is disposed in the neck to perform a skimming operation and a filter element disposed in the housing below the level of the neck to receive and filter the water entering the housing. The Cavenah patent covers an improvement thereon, namely, forming a peripheral seat in the housing below the inlet neck to the pool and above the filter element assembly, and in addition, providing a removable vacuum lid seatable upon the seat in the housing. Also, there is provided a vacuum outlet in the housing so that when the lid is seated, the skim filter will have the additional function of vacuuming the pool.

64.

The Pace patent was issued first and was issued to Robert M. Pace. The Cavenah improvement patent was subsequently issued to Landon, Inc., the assignee of the inventor, Cavenah.

65.

The Pace and Cavenah patents in suit together cover only a single article, namely, the improved filter (a combination of both the Pace and Cavenah inventions) shown in the Cavenah patent and its equivalents. Licensee under the Pace patent alone could not make, use or sell the Pace filter with the vacuuming improvement of the Cavenah patent since this would infringe the Cavenah patent. Likewise, a licensee under the Cavenah patent alone could not build the improved skim filter of the Cavenah patent without infringing the basic Pace patent.

66.

Landon, Inc. attempted to license manufacturers under its Cavenah patent alone but was unable to do so because the prospective licensees refused to take a license because the skim filters they would make under the Cavenah patent would be in conflict with the basic Pace patent which was held by Robert M. Pace.

67.

Upon advice of counsel, Robert M. Pace and Landon, Inc. entered into an agreement on November 15, 1928, whereby Robert M. Pace assigned his patent to Landon, Inc. and Landon, Inc. agreed to seek licensees under both the Pace and Cavenah patents.

68.

There is no provision in the agreement between Robert M. Pace and Landon, Inc. to restrict the number of licensees; to license only those of a certain class, or not to license others under these patents; but rather, Landon, Inc. was to attempt and did attempt to secure as many licensees under these patents as possible.

69.

Landon, Inc. thereafter offered licenses under both the Pace and Cavenah patents under uniform terms and conditions to all who wished licenses thereunder. There has been no discrimination or favoritism to any of the licensees or prospective licensees by Landon, Inc. Rather, the evidence shows clearly that all such licensees or pro-

spective licensees have been treated equally. Landon, Inc. never refused to license any manufacturer under the uniform terms offered to others. The terms and conditions of these license agreements are reasonable.

70.

As a result of the agreement between Robert M. Pace and Landon, Inc., the public has been able to receive the benefits of the Pace invention as well as the Cavenah improvement to the Pace invention.

71.

Neither Landon, Inc. nor Robert M. Pace intended or attempted to coerce anyone into taking a license under the patents in suit, but rather, all persons who were offered licenses under the patents in suit or who sought licenses under the patents in suit were free to accept or refuse such licenses as they desired.

72.

Landon, Inc., prior to the time it acquired title to the Pace patent, offered a license to Jacuzzi Bros. under the Cavenah patent alone (which was refused) but did not offer a license under both of the patents in suit to Jacuzzi Bros., since Jacuzzi Bros. initiated the present suit against Landon, Inc. before any such offer had been made. However, Jacuzzi Bros. did not seek and has not sought a license from Landon, Inc. under the patents in suit and has never been refused a license under the patents in suit by Landon, Inc.

73.

No one has ever sought a license from Landon, Inc. under the Pace patent alone or under the Cavenah patent alone since the agreement between Robert M. Pace and Landon, Inc. was entered into on November 15, 1958.

74.

Landon, Inc. has never refused to grant a license to anyone under the Pace patent alone or under the Cavenah patent alone.

75.

There is presently no commercial market or a desire on the part of the public for a skim filter built in accordance with the Pace disclosure alone without the addition of the vacuuming improvement shown in the Cavenah patent.

76.

Since the entering into of the agreement between Robert M. Pace and Landon, Inc., no one has manufactured and marketed a Pace skim filter without also adding thereto the Cavenah vacuuming improvement.

77.

The accused filter of Jacuzzi Bros. uses both the basic combination of the Pace patent and the vacuuming improvement of the Cavenah patent.

78.

At the time that the agreement between Robert M. Pace and Landon, Inc. was entered into, there were many

infringers of the patents in suit. Landon, Inc. attempted to stop infringement of the patents in suit by suing infringers, one at a time, depending upon the outcome of the first suit to guide the remaining infringers as to whether they would take a license or cease infringing.

79.

To insure that there would be funds available for policing of the patents in suit against infringement, the agreement entered into by Robert M. Pace and Landon, Inc. provided that the royalties received from licensees were to pass first through a trust fund and then to paid to Landon, Inc. and Pace. The money in the trust fund was to be used for litigation and other patent policing expenses. This provision prevented either party from refusing to share in the burden of policing and enforcing the patents for the protection of licensees.

80.

Each and every charge of infringement made by Landon, Inc. was made in good faith after thorough investigation of the accused structures.

81.

All suits brought by Landon, Inc. for infringement of the patents in suit were brought in good faith after thorough investigation of the accused structures.

82.

The counterclaim brought by Landon, Inc., against Jacuzzi Bros. for infringement of the patents in suit, was

brought in good faith by Landon, Inc. after thorough investigation of the accused devices made by Jacuzzi Bros.

83.

Subsequent to the outcome of prior suits brought by Landon, Inc. for infringement of the patents in suit, Landon, Inc. has informed the trade as to the outcome of said suits. Such notifications to the trade have not in any way enlarged upon or misrepresented the scope of the judgment or judgments in favor of Landon, Inc.

84.

Subsequent to the issuance of several licenses under the Pace and Cavanah patents in suit, Landon, Inc., with good cause believed that one of its licensees, without paying royalties, was supplying complete filter element assemblies to a non-licensee with knowledge that such non-licensee was incorporating these assemblies into an infringing filter on which no royalty was being paid. In order to put a stop to this, Landon, Inc. notified its licensees in good faith that any supplying of filter element assemblies or parts other than for replacement purposes by these licensees to unlicensed persons would violate the licenses and constitute contributory infringement. The filter elements or parts referred to in these notices were material elements of the patented combination and could not be used for any non-infringing use without making many substantial structural changes therein.

85.

The evidence shows clearly that neither Robert M. Pace nor Landon, Inc. has committed any acts of patent misuse.

86.

There has been no conspiracy between Landon, Inc. and Robert M. Pace to commit any wrongful act.

87.

There has been no intention on the part of Landon, Inc. or Robert M. Pace to extend the monopoly granted by the patents in suit beyond the limits granted by such patents.

88.

There has been no acts by Landon, Inc. or Robert M. Pace wherein the monopoly granted by the patents in suit has been extended beyond the limits granted by such patents.

89.

Neither Landon, Inc. nor Robert M. Pace have made any use whatsoever of the Pace and Cavenah patents in suit to suppress or control the sale of any staple article or commodity of commerce suitable for non-infringing use.

90.

In the license agreements between Landon, Inc. and its licensees under the patents in suit, there are no provisions whatsoever fixing prices or allocating territories.

91.

At no time has there been and there are not now any agreements or understandings between Landon, Inc. or

Robert M. Pace and any of the licensees under the patents in suit concerning the fixing of prices or the allocating of territories amongst the licensees.

92.

There has been no intent or attempt on the part of either Robert M. Pace or Landon, Inc. to establish or control prices at which the licensed skim filters were sold. To the contrary, the evidence shows clearly that the licensees under the patents in suit were in free and open competition with one another and with other manufacturers of similar devices and that the price at which each licensee sold said licensed filters was reasonable and was determined on an openly competitive basis with other licensees and with the manufacturers of competing filters.

93.

The license agreements whereby Landon, Inc. licensed manufacturers under the Pace and Cavenah patents in suit are to remain in effect until the expiration of the last to expire patent. Royalties under these license agreements are due on devices coming within the scope of any of the claims of either patent. I find it a fact that these license agreements require a licensee to pay royalties only on devices covered by a claim or claims of an unexpired patent, and do not require the payment of royalties on devices covered only by claims of an expired patent.

94.

There was no intent or attempt by either Robert M. Pace or Landon, Inc. to monopolize the skim filter indus-

try beyond the scope of the Pace and Cavenah patents by patent litigation or threats of patent litigation.

95.

There was no intent or attempt on the part of either Robert M. Pace or Landon, Inc. to use the Pace and Cavenah patents in suit to dominate or restrain the sale of skim filter devices which are outside the scope of said patents.

96.

The evidence shows clearly that neither Robert M. Pace nor Landon, Inc. have committed any acts which are in restraint of trade or commerce among the several states or with foreign nations, nor have either Robert M. Pace or Landon, Inc. committed any acts or attempted to commit any acts which would monopolize any part of the trade or commerce among the several states or with foreign nations which are not permitted by law.

97.

There has been no damage to Jacuzzi Bros. on account of any activities by Landon, Inc.

CONCLUSIONS OF LAW

1.

This Court has jurisdiction of the subject matter and of the parties.

2.

Landon, Inc. is the owner of all of the right, title and interest in and to and under Letters Patent in suit Nos. 2,826,307 and 2,844,255.

As to Validity

3.

The claims of the Pace patent in suit particularly point out and distinctly claim the invention in full accordance with law and are good and valid in law.

4.

The claims of the Cavenah et al patent in suit particularly point out and distinctly claim the invention in full accordance with law and are good and valid in law.

5.

Under Title 35 U.S.C. § 282, the patents in suit are presumed to be valid and the burden of establishing invalidity rested on Jacuzzi Bros., and Jacuzzi Bros. failed to sustain that burden.

6.

The presumption of validity of the patents in suit in the present case is strengthened by the fact that the Patent Office considered the most pertinent prior art during the examination of the applications for the patents in suit.

7.

The presumption of validity of the patents in suit in the present case is strengthened by the fact that after full trial the patents in suit were adjudged to be valid by the United States District Court, for the Southern District of California (Judge Leon Yankwich) in Landon, Inc. v. Marine Swimming Pool Equipment Co., C. A. 480-60-Y (reported at 195 F. Supp. 41), in the trial of

which case the same and the most material and pertinent prior art and the same and the most material and pertinent evidence of alleged invalidity was introduced in evidence and considered in the suit at bar.

8.

Where, as in this case, the patented device has to a very marked degree superseded what had been used almost exclusively by the industry involved for many years, and tribute has been paid to the patent by all the leaders in the industry involved, such evidence is very persuasive evidence that the patents thereon are valid.

9.

Where, as in this case, the prior art offered in evidence and alleged to anticipate the patented inventions did not have the capabilities of performing the functions or accomplishing the results of the patented device unless reconstructed and given a new mode of operation in the light of the teachings of the patents in suit, such prior art is insufficient to invalidate the patents in suit.

10.

The fact, as in this case, that the patented inventions did not produce an entirely new or startling and unheard of ultimate result does not negativ invention in the patented device since, with respect to the result produced, it is not essential that it be a wholly new result but it is sufficient if an old result is effected in a more facile, economical or efficient way.

11.

The concept of the patents in suit of combining elements to form a filtering apparatus having a new modus operandi and which produces a new or improved result is patentable whether such elements are all old in the art or some are old and others are new; with respect to the result produced, it is not essential to patentability that it be a wholly new result, but it is sufficient if an old result is effected in a more facile, economical or efficient way.

12.

Where, as in this case, the inventions of the patents in suit were not obvious to a person having ordinary skill in the art at the time the inventions were made, evidence showing that after the inventions were disclosed and the patents were issued prior art devices could be modified by an engineer by changing their construction and mode of operation to conform to the new teachings of the patents in suit is insufficient evidence to invalidate the patents.

13.

The test for invention, as laid down in Title 35, U.S.C. § 103, is whether the patented subject matter would have been obvious to a person having ordinary skill in the art "at the time the invention was made" not what is obvious after the patent has issued.

14.

Where, as in this case, the invention of a patent was not obvious to a person having ordinary skill in the art

at the time the invention was made, evidence showing that it is easy after the patent has issued and the invention is disclosed, to select and assemble various parts from prior art patents and devices and achieve a nunc pro tunc solution of the problems confronting the inventor when he made the invention, is insufficient to invalidate a patent.

15.

Where, as in this case, the evidence shows that the concept of the inventions of the patents in suit escaped the experts of the industry involved for many years, although they solved a problem facing that industry for years, such evidence is cogent evidence of patentable invention, and the fact that the concepts were simple in nature does not negative patentable invention.

16.

The facts in this case, that there was a long standing want and demand, which was satisfied by the inventions of the patents in suit demonstrate the existence of patentable invention and the validity of the patents in suit.

17.

The Pace patent in suit No. 2,826,307 was regularly issued in accordance with law and each of the claims thereof is good and valid in law.

18.

The Cavenah et al. patent in suit No. 2,844,255 was regularly issued in accordance with law and each of the claims thereof is good and valid in law.

As to Infringement

19.

Having found as a fact that the Jacuzzi Bros. accused skim filters embody each and every element of the invention as claimed in the Pace patent claims 1 to 4, inclusive, or their full structural and functional equivalent, and that the accused skim filters have a mode of operation and function substantially the same as the claimed invention and produce the same result by substantially the same means as the claimed invention, I conclude that the two accused skim filters infringe each and every claim of the Pace patent in suit.

20.

Jacuzzi Bros. has infringed the Pace patent in suit by the manufacture and sale of the two accused "Crystal Flow" filters, Exhibits 25 and 26 in evidence.

20a.

The fact that Jacuzzi Bros. may have made an improvement and obtained a patent therefor does not excuse its infringement of the patents in suit.

21.

Having found as a fact that the Jacuzzi Bros. accused skim filters embody each and every element of the invention as claimed in the Cavenah patent claims 1 to 5, inclusive, or their full structural and functional equivalent, and that the accused skim filters have a mode of operation and function substantially the same as the claimed invention and produce the same result by substantially

the same means as the claimed invention, I conclude that the accused skim filters infringe each and every claim of the Cavenah patent in suit.

22.

Jacuzzi Bros. has infringed the Cavenah patent in suit by the manufacture and sale of the two accused "Crystal Flow" filters, Exhibits 25 and 26 in evidence.

23.

The infringement of the patents in suit by Jacuzzi Bros. was wilful, intentional and deliberate.

As to Misuse, Unclean Hands and Antitrust Violation

24.

Jacuzzi Bros. misuse and antitrust counterclaim and defenses of misuse and counterclaim are all based on allegations having no justification in fact, and no substantial evidence in support thereof was introduced at the trial.

25.

Landon, Inc. and Robert M. Pace have not used the patents in suit to restrict competition in violation of any law.

26.

Landon, Inc. and Robert M. Pace confined their activities concerning the patents in suit within the particular monopoly afforded by the patents in suit. Neither is Landon, Inc. nor Robert M. Pace guilty of violation of anti-

trust laws, unclean hands or misuse of the patents in suit, or any of them; accordingly, the Jacuzzi Bros. counterclaim should be dismissed.

27.

The evidence fails completely to establish any violation by Landon, Inc. of the Sherman Act or any other antitrust law.

28.

The evidence fails completely to establish any misuse by Landon, Inc. of the patents in suit.

29.

It is not patent misuse or a violation of the antitrust acts to bring in good faith a suit for patent infringement against an infringer and thereby cause the infringer to choose between defending the action, stopping the accused activities or accepting a license.

30.

Under the facts of the present case, the notification by Landon, Inc. to the trade of the results of prior litigation was proper and lawful and did not and does not constitute either patent misuse or a violation of any antitrust laws.

31.

It is an act of contributory infringement for a licensee under a combination patent to supply a material element of the patented combination to an unlicensed person who then incorporates such elements into an infringing device when such licensee knows that these material elements cannot be used for any non-infringing use without mak-

ing many substantial structural changes therein and when no royalty is paid to the licensor by either the licensee or the unlicensed person.

32.

The notification by Landon, Inc. to its licensees that the supplying of filter assemblies and parts therefor to a non-licensee for incorporation into an infringing structure was an act of contributory infringement and would violate the licenses and would subject the licensee to a suit for infringement was proper and lawful and did not constitute either an act of patent misuse or a violation of the antitrust laws.

33.

The bringing of infringement suits by Landon, Inc., one at a time, against the infringers of the patents in suit was proper and did not constitute either patent misuse or a violation of the antitrust laws.

34.

Infringement suits which are initiated to protect a lawful patent monopoly, and not as part of an over-all plan to eliminate or unlawfully control competition, do not constitute a misuse of the patents.

35.

Landon, Inc. litigation activities, past and present, have not and do not constitute unclean hands or misuse of the patents in suit.

36.

The establishment of the trust fund by the agreement of November 15, 1958, between Robert M. Pace and Lan-

don, Inc., whereby royalties received might be accumulated for legally policing and enforcing the patents in suit, was proper and did not constitute either patent misuse or a violation of the antitrust laws.

37.

The provisions in the licenses of the two patents in suit whereby the licenses are to expire at the expiration of the last-to-expire patent and wherein royalties are due on devices coming within the scope of any of the claims of either patent do not require the licensees to pay royalties for devices covered only by claims of an expired patent and therefore the provisions are proper and do not constitute either patent misuse or a violation of the antitrust laws.

38.

A license which, by its terms, continues until the expiration of all of the patents covered by such license, does not constitute a patent misuse, in the absence of a showing of coercion on the part of the patent owners that the licensee accede to such a provision.

39.

The licensing of several patents in a single license agreement does not constitute a patent misuse unless the element of coercion is present, such as where there has been a request by a prospective licensee for a license under less than all of the patents and a refusal by the licensor to grant such a license.

40.

Under the facts of the present case, the package licensing of the interlocking Pace and Cavenah patents in

suit by Landon, Inc., was and is proper and does not constitute either an act of patent misuse or a violation of the antitrust laws.

41.

Under the facts of the present case, the agreement by Robert M. Pace and Landon, Inc., for Landon, Inc. to license the interlocking Pace and Cavenah patents in suit, was and is proper and does not constitute either an act of patent misuse or a violation of the antitrust laws.

42.

Landon, Inc. licensing program and sales program, past and present, have not and do not constitute misuse of the patents in suit.

43.

The expense sustained by Jacuzzi Bros. as a result of the activities of Landon, Inc., namely, the amount spent by Jacuzzi Bros. in prosecuting this action against Landon, Inc., does not constitute such injury to business or property as will support the charge of antitrust violation made by Jacuzzi Bros.

44.

The traditional form of patent licensing followed by Robert M. Pace and/or Landon, Inc. does not constitute either patent misuse or a violation of the antitrust laws.

As to the Judgment

45.

Landon, Inc. is entitled to a Judgment,

(a) dismissing the Complaint and Counterclaim as being without merit;

(b) adjudging the two patents in suit and all the claims thereof to be good and valid in law;

(c) adjudging that Jacuzzi Bros. has infringed each of the claims of the two patents in suit by the manufacture and sale of the "Crystal Flow" skim filters;

(d) adjudging that Landon, Inc. is entitled to a Writ of Injunction, issuing out of and under the seal of this Court, enjoining and restraining Jacuzzi Bros., its officers, associates, attorneys, employees, servants and all those in privity with them, from in any manner manufacturing, using or selling or offering for sale skim filter devices coming within the scope of the claims of the patents in suit, Nos. 2,826,307 and 2,844,255;

(e) adjudging that Landon, Inc. is entitled to an accounting of its damages for the infringement from Jacuzzi Bros., in an amount equal to the profits realized by Jacuzzi Bros., by reason of its infringement, or a reasonable royalty for the use of the patents in suit, whichever is the greater;

(f) adjudging that the damages, when determined, be recovered by Landon, Inc. from Jacuzzi Bros., and that Landon, Inc. have execution therefor;

(g) adjudging that Landon, Inc. is entitled to its expense and cost of suit and that Landon, Inc. have execution therefor.

Dated: This 8 day of November, 1962.

George B. Harris,
United States District Judge.

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In the United States District Court
Northern District of California
Southern Division

Civil Action No. 38,754

Landon, Inc., a corporation, Plaintiff vs. International Manufacturing Co., Inc., a corporation, and Rudolph Jacuzzi, an individual, Defendants.	Civil Action No. 38,754

FINDINGS OF FACT AND CONCLUSIONS OF LAW

FINDINGS OF FACT

The Parties

1.

Landon, Inc., is a corporation of California and has a principal place of business at San Carlos, State of Cali-

fornia, within the Northern District of California, Southern Division.

2.

International Manufacturing Co., Inc., is a corporation of California, and has a principal place of business at Concord, State of California, within the Northern District of California, Southern Division.

3.

Rudolph Jacuzzi is an individual and a resident of Lafayette, State of California, within the Northern District of California, Southern Division, and is President and a Director of defendant International Manufacturing Co., Inc., and is the sole stockholder of said corporation.

4.

Rudolph Jacuzzi dominates, directs and controls the actions and manufacturing policies of defendant International Manufacturing Co., Inc., and is the person who actively directs and actually conducts the business of defendant International Manufacturing Co., Inc.

AS TO VALIDITY

The State of the Art

5.

The Court finds, from the uncontradicted testimony in this case, that for more than ten years prior to the time of the invention disclosed in the patents in suit, there was available to the swimming pool industry, from a practical viewpoint, only a single type of pool filtering apparatus for pools other than relatively large commer-

cial pools. This apparatus was of the sand and gravel type requiring one but usually more than one relatively large tank containing sand and gravel, which tanks were positioned above ground thirty to sixty feet from the pool because of the deck space they required and because of their unsightly appearance. In addition to unsightliness, this type of filtering apparatus had a numb r of recognized disadvantages, among which were:

(a) the high cost of the filtering equipment and high cost of installation;

(b) this type of equipment required backwashing at regular intervals to clean the filter media, and each such backwashing required the use and waste of hundreds of gallons of water, and also required a sewer connection or equivalent disposal connection to the filter for the waste water disposal;

(c) high maintenance cost, particularly periodically when skilled labor was required to change the filter media;

(d) relatively short lived because the tanks (due to cost) had to be of ferrous metal, and rusting caused tanks to leak and require replacing;

(e) water from the pool (even when a weir throat was provided) necessarily traversed through restricting pipe directly into a pump before reaching the filter, thus causing the water from the pool to flow through a restricted orifice and presenting the hazard of clogged pipes and prematurely worn pumps because foreign matter, such as sand, lint and oils, traveled through the pipe and pump before being filtered.

6.

That for years the industry recognized the shortcomings and disadvantages of the sand and gravel filters and sought an answer to the problem, but the problem remained unsolved and the industry remained saddled with the costly and inefficient sand and gravel filters until the advent of the filter apparatus of the patents in suit.

7.

That at the time of the inventions there existed and was known a diatomaceous earth type of filter for large public type pools. This filter was of the general type shown in Exhibits AH and S and was far too costly to build and maintain to be used except in connection with relatively few and relatively large public pools.

The Pace Patent in Suit No. 2,826,307

8.

That the invention of the Pace patent produced a pool skim filter having a new mode of operation and producing new results, and producing the old ultimate result of filtering in a more facile, economical and efficient way, as follows:

(a) the invention produced a complete skimming and filtering device which could easily be positioned out of sight at pool side with only a relatively small deck plate (flush with the pool deck) being visible, thus not detracting from the decorative surroundings of the pool; this in contrast with the prior unsightly sand and gravel filters;

(b) by the invention, a complete skimming and filtering device was provided which was small and compact as well as being light in weight, thus enabling it to be delivered to the job in the trunk of an automobile and handled and installed easily by one man; this in contrast with the bulky heavy sand and gravel filters and over a ton of filter media requiring the use of a truck to deliver and at least two men to handle and install;

(c) by the invention, a complete skimming and filtering device was provided which could be positioned and cemented in place easily during the pouring or guniting of the pool; the prior sand and gravel filters required a separate concrete slab for mounting;

(d) by the invention, a complete skimming and filtering device was provided which could be purchased and installed at a cost from one-third to one-half less than that of a sand and gravel filter system of comparable capacity and filtering efficiency; for example, in systems of equivalent capacity, for one pool size, the cost of a sand and gravel system installed is $736.51 as against $389.10 for the system using the patented skim filter;

(e) by the invention, a complete skimming and filtering device was provided which requires no backwashing and no sewer or waste disposal connection as its filter can be removed by the pool owner and cleansed by washing off with a garden hose with something less than forty gallons of water; this in contrast with the use and waste of four hundred to one thousand gallons of water required to backwash a sand and gravel filter, the necessity of a sewer or equivalent connection to dispose of the wasted

water, and the replacement in the pool of the water wasted in backwashing;

(f) by the invention, a complete skimming and filtering device was provided which can be easily serviced by the pool owner even to the extent of replacing the entire filter element; all that is required when cleaning the filter is to remove the light, relatively small filter element through the top of the tank and wash it off with a garden hose and replace it; if a new filter element is required, it is only necessary to simply remove the old and lower a new one into the tank; this in contrast with the requirement of skilled labor and long hours of work in replacing the filter media in the sand and gravel type; and

(g) by the invention, the water to be filtered entering the skimmer flows completely unrestricted directly to the filter without traveling through a pipe or any restricted orifice, thus eliminating the possibility of pipe clogging; also, the water is filtered before reaching the circulating pump and this eliminates premature wear on the pump.

9.

The combination device of the Pace patent in suit has a mode of operation which is new in the art and the combining of the elements into the patented device, as taught by the patent, to produce this new mode of operation and the new, different and additional results, and to effect the old ultimate result of pool filtering in a more facile, economical and efficient way, was not obvious to persons having ordinary skill in the art at the time the invention was made.

10.

By combining the elements forming the patented skim filter in the novel manner taught by the Pace patent, every element coacts with every other element to produce new, additional and different functions and results which were new in the art, and to effect the old ultimate result of filtering of a swimming pool in a more facile, economical and efficient way, as set out in Finding of Fact No. 8.

11.

Although the solution, by the invention of the Pace patented device, to the problem confronting the industry seemed simple once it was disclosed by the inventor, it escaped the experts in the industry for over ten years and hence the Court finds that the patented apparatus involved invention not merely mechanical skill.

12.

Even though the skimming and filtering elements of the Pace patented combination are separately old in the filtering art [for example, separate skimmers are shown to be old in Exhibits D, F, K, AE, AI and King Patent No. 2,701,235, and filter elements per se are shown to be separately old in Exhibits L, M, N, P, Q, R, AF, and the patents to Fellows No. 1,989,795, Lowe British No. 557,393 (included in Exhibit A), and Townsend No. 2,507,126 (included in Exhibit 6)], the concept of combining these two separately old elements with a new element (the tank) in a manner enabling the water to be filtered entering the skimmer, to flow unrestricted to the

filter and thence to the pump, produced a skim filter having a new mode of operation producing new results, and the old ultimate result of pool filtering in a more economical, efficient and facile manner as set out in Finding of Fact No. 8, and this combination was not obvious to one skilled in the art at the time the invention was made and constituted invention.

13.

The prior King Patent No. 2,701,235 (included in Exhibit A) is pointed to by the defense as an anticipation of the Pace patent, the defense contending that this patent shows the combination of the Pace patent. The Court rejects this contention and finds as fact that the King patent disclosure necessarily requires, to accomplish its purpose, intersecting vertical and horizontal pipes (numbered 9 and 16 in the King patent drawing) between the separate skimmer and separate remotely placed filter tank. The construction of the King apparatus enables sand and like heavy debris entering the skimmer to drop back into the pool through pipe 16 (of the King drawing) and opening 33 (of the King drawing). The Court also finds as a fact that to reconstruct the King apparatus to meet the patented apparatus would:

(a) completely change the construction of the King apparatus as disclosed;

(b) completely change the mode of operation of the King apparatus as disclosed; and

(c) entirely transform the King concept.

14.

The apparatus of the King patent is incapable of producing the results of the Pace combination as set forth in Finding of Fact No. 8, and it is constructed and has a mode of operation materially different from the patented combination.

15.

The Cunliffe Patent (British No. 348,794) and the Iki Patent No. 1,245,721 (both included in Exhibit A) are so entirely and substantially different from the Pace patented combination, both in construction, mode of operation and results produced that any contention that they individually or collectively anticipate the Pace invention is completely without merit. The Cunliffe patent discloses a water circulating and screening system for swimming pools. The Iki device shows a water circulating and purifying tank for feed water systems for boilers, and neither is adapted for nor capable of operating in the manner of the patented skim filter nor capable of producing its results.

16.

The prior art books, AH, S and Y, disclose that broadly speaking "vacuum diatomite filters" were old in the art, but these prior filters are of no pertinency as anticipations of the inventions of the Pace patent in suit because these filters are not constructed nor do they operate in any fashion as does the apparatus of the Pace patent in suit, nor do these prior filters include (except broadly a filter) the elements of the Pace patented combination.

The Cavenah Patent in Suit No. 2,844,255

17.

The invention of the Cavenah Patent No. 2,844,255 in suit is the concept of providing the patented combination of the Pace Patent No. 2,826,307 with additional new elements to equip the Pace patented skim filter with the additional function or ability, which is to vacuum the bottom of the pool. The new elements include the vacuum intake below the weir throat, a shut-off plate seat between the weir throat and the vacuum intake, and a removable shut-off plate (removable both from the seat and tank) to seat on that seat and shut off the flow from the weir to the filter chamber to enable the pump to create a vacuum through the vacuum intake (to which a vacuum hose and fitting communicates) to draw the water directly into the filter chamber, through the filter element to the pump.

18.

The contribution of the Cavenah invention to the Pace combination was a valuable contribution to the art, and the combination claimed by the Cavenah patent has a new mode of operation and produces the old ultimate result of pool vacuuming in a more facile and efficient way.

19.

The combination device of the Cavenah patent in suit has a mode of operation which is new in the art, and the combining of the old elements and the new elements into the patented device, as taught by the patent to produce this new mode of operation and the new, different and

additional results, and to effect an old ultimate result in a more facile and efficient way, was not obvious to persons having ordinary skill in the art at the time the invention was made.

20.

By combining the old and new elements forming the apparatus of the Cavenah patent in suit, every element coacts with the remaining elements to produce new, additional and different functions and results which were new in the art, and to effect the old ultimate result of vacuuming a pool in a more facile, economical and efficient way.

21.

The prior King Patent No. 2,701,235, and the prior Cunliffe British Patent No. 348,794 (both included in Exhibit A) show means of vacuuming a pool. These prior patents do not disclose the combination disclosed and claimed in the Cavenah Patent No. 2,844,255 or an equivalent apparatus. In construction and mode of operation the Cavenah apparatus is substantially different from the King and Cunliffe disclosures and the latter do not anticipate the Cavenah invention.

22.

The Pace Patent No. 2,826,307 in suit, although prior to the Cavenah Patent No. 2,844,255 in suit, does not anticipate the Cavenah invention nor negative invention therein, in that the Pace combination does not include the new elements or the new functions of the Cavenah concept nor produce the new additional results of the Ca-

venah invention. Even in view of the Pace apparatus, the Cavenah invention was not obvious to one skilled in the art at the time the Cavenah invention was made.

Immaterial Prior Art

23.

That the patents to Greth No. 1,144,327, Test No. 1,917,614, Shawhan No. 2,167,466, Leslie No. 2,809,752, also offered in evidence (included in Exhibit A), are completely immaterial as anticipations of the Pace and Cavenah inventions in that they disclose circulating systems and apparatus completely foreign in construction and mode of operation to the patented combinations. The Pace Patent No. 2,900,079 is subsequent to the Pace and Cavenah patents in suit and consequently is not prior art.

The Effect of the Inventions in the Industry

24.

Commencing in the year 1956, when the patented filters were first made known, and extending to the year 1961, the ratio of sales in the areas into which the patented filters were introduced, as shown by the evidence, was 75% to 80% patented skim filters and 20% to 25% sand and gravel filters, and that during that period in excess of 22,000 of the patented skim filters were sold.

25.

That following the introduction of the patented skim filters, all of the acknowledged leaders in the swimming pool equipment industry, Paddock of California, National Pool Equipment Co., Swimquip, Inc., and Ryder-

Elliott, Inc., paid tribute to the inventions by taking licenses under the patents in suit and paying royalties for the use of the inventions.

Prior Art Previously Considered

26.

That the best and most pertinent prior art relied upon at the trial as invalidating the patents in suit was before and considered by the United States Patent Office during the examination of the applications for the patents in suit.

27.

That the best and most pertinent prior art relied upon at this trial as invalidating the patents in suit was previously in evidence and before the United States District Court for the Southern District of California in Civil Action No. 480-60-Y, known as "Landon, Inc., v. Marine Swimming Pool Equipment Co.," in which previous action the present patents in suit were adjudged to be valid.

AS TO INFRINGEMENT

The Pace Patent

28.

The Pace patented skim filter and the accused International Manufacturing Co., Inc. device both comprise essentially a substantially cylindrical filter housing (sometimes called a tank) adapted to be mounted adjacent a swimming pool with its upper end above the normal

water level of the pool and flush with the pool deck and with its lower end below the water level in the pool. The housing is formed with a substantially horizontally extending neck forming a water passage between the housing and the pool. A buoyant weir is disposed in the lateral neck to perform a skimming function on the water entering the filter housing from the pool. The housing is fitted with a socket in the bottom thereof and a hollow core is releasably fitted to the socket member. A plurality of disc-like filter elements are mounted concentrically on the core and a screen basket is removably positioned within the housing below the liquid level therein and above the uppermost of the filter elements. A handle is mounted on the upper end of the core whereby the core and filter elements may be removed from the housing through its open upper end for cleaning. In operation of the patented and the accused device, the surface water in the pool flows over the top of the buoyant weir and into the filter housing. The water then passes through the cloth covering of the disc-like filter elements and the core and then through the pump and returned to the pool.

29.

The elements of the Pace skim filter shown in the Pace patent all find full, complete and exact correspondence in the structure of the accused International Manufacturing Co., Inc. device.

30.

The skim filter shown in the Pace patent and the accused skim filter of International Manufacturing Co., Inc.

both operate exactly the same way by the same means to accomplish exactly the same result.

31.

International Manufacturing Co., Inc. concedes that it has no defense of non-infringement with respect to claim 2 of the Pace patent in suit and this Court so finds.

32.

The contention of International Manufacturing Co., Inc. to the effect that it does not infringe claim 1 of the Pace patent is untenable. Claim 1 of this patent requires, inter alia, (1) that the screen leaf basket be mounted concentrically on the core, and (2) that the handle which is mounted on the upper end of the core be integrally related to the basket. Although the accused skim filter of International Manufacturing Co., Inc. contains a basket which is not mounted on the core and which is not integrally related or connected to the core, these are immaterial variations and although there is this variance in the shape and form of the accused device from the device shown in the Pace patent, nevertheless I find that the leaf basket and handle of the accused device to be the full structural, mechanical and functional equivalent of the basket and handle shown and claimed in the Pace patent in suit.

33.

The position of International Manufacturing Co., Inc. that it does not infringe claim 3 of the Pace patent is untenable. Claim 3 of the Pace patent requires, inter alia, (1) that the filter housing be in the form of an elongated

cylinder of uniform diameter throughout its length; (2) that the basket be supported by the upper end of the core, and (3) that the basket be of a diameter less than the transverse dimension of the uniform diametered housing. Although the filter housing of the accused skim filter of International Manufacturing Co., Inc. has a slight taper so as to have a smaller diameter at the lower end and a larger diameter at the upper end, I find that this variance from the patented filter is immaterial. The slight taper of the housing of the accused device results from manufacturing requirements in the manufacture of moulded devices and does not affect in any way the operation of the complete skim filter. The filtering operation of the accused device is exactly that of the Pace patented device. Therefore, I find the housing of the International Manufacturing Co., Inc. skim filter to be the full mechanical, structural and functional equivalent of the housing shown and claimed in the Pace patent. The accused International Manufacturing Co., Inc. skim filter also has a shoulder for the support of the leaf basket. I find that this shoulder support of the accused skim filter is the full mechanical, structural and functional equivalent of the basket support shown and claimed in the Pace patent.

34.

The position of International Manufacturing Co., Inc. that it does not infringe claim 4 of the Pace patent is untenable. Claim 4 of the Pace patent requires, inter alia, (1) that the filter housing be in the form of a cylinder of uniform diameter throughout its length, and (2) that the basket be of a diameter less than the transverse

dimension of the uniform diametered housing. Although the housing of the accused International Manufacturing Co., Inc. skim filter is not in the form of a cylinder of completely (but substantially) uniform diameter throughout its length due to the slight taper thereof to facilitate its manufacture, and even though the basket employed in the accused skim filter is not of a diameter less than a single and constant diameter of the housing, nevertheless I find that the housing of the accused skim filter is the full mechanical, structural and functional equivalent of the housing shown in the Pace patent. I also find that the basket used in the accused skim filter is of a diameter less than the diameter of the housing at the place where the basket is to be located so that it may fit within the housing and be removed therefrom and is the full structural, mechanical and functional equivalent of the leaf basket shown and claimed in the Pace patent in suit.

The Cavenah Patent

35.

The Cavenah patent discloses the entire combination shown in the Pace patent as set out in Finding No. 1, but, in addition, adds an interior circumscribing shoulder or seat in the housing intermediate the inlet neck and the filter element assembly. A removable shut-off vacuum lid is provided to be removably seated on the said shoulder to effect a vacuum pull from the pump through the filter element assembly and a vacuum outlet to the pool. The latter may be in the vacuum lid or in the side of the container. The patent discloses such connection in both places.

36.

The elements of the Cavenah filter added to the Pace filter, as set out in the previous finding of fact and as shown in the Cavenah patent in suit and as set forth in the Cavenah patent claims, each find full and complete correspondence in the accused skim filters made by International Manufacturing Co., Inc., both structurally and functionally.

37.

The Cavenah vacuuming elements disclosed in the Cavenah patent in suit and the vacuuming elements of the accused skim filters made by International Manufacturing Co., Inc., all function exactly the same way by the same construction to accomplish exactly the same result. In each case, when the removable vacuum cover has been removed, the filters operate to perform a skimming and filtering function, exactly as described above in connection with the Pace patent. When the removable vacuum cover is put in place, the normal flow of water from the surface of the pool over the weir and to the filter elements is cut off. Instead, flow can then take place through a vacuum cleaner attachment which is connected to deliver water to the filter housing below the removable vacuum cover, exactly as described above in connection with the Cavenah patent. The vacuum cleaner attachment may then be used to clean the sides or bottom of the pool.

38.

International Manufacturing Co., Inc. concedes that it has no defense of non-infringement with regard to claims 1 and 4 of the Cavenah patent in suit and this Court so finds.

39.

The position of International Manufacturing Co., Inc., that it does not infringe claim 2 of the Cavenah patent because the specific details called for in such claim are not found in the accused skim filter, is untenable, inasmuch as I find that every detail of claim 2 finds its full mechanical, structural and functional equivalent in the accused skim filter made by International Manufacturing Co., Inc.

40.

The contention of International Manufacturing Co., Inc., that claims 3 and 5 are incomplete is untenable. When the Cavenah device is being used with the vacuum lid in place for performing a vacuum operation, the Cavenah skim filter does not perform a skimming operation and the skimming weir does not then cooperate with the elements which do carry out the vacuuming operation. I find that the elements set forth in claims 3 and 5 are complete in describing a device which can perform a vacuuming operation.

41.

I find that claims 3 and 5 of the Cavenah patent read directly on the accused skim filter made by International Manufacturing Co., Inc.

42.

Landon, Inc. offered a license under the Pace and Cavenah patents in suit to defendant, International Manufacturing Co., Inc., upon the same terms and conditions as contained in the other licenses of the patents in suit.

This offer to International Manufacturing Co., Inc. was made prior to the institution of the present suit and was refused by International Manufacturing Co., Inc.

43.

International Manufacturing Co., Inc. continued its infringement of the patents in suit after it received notice of infringement from Landon, Inc., and after Judge Yankwich, in the case of Landon, Inc. v. Marine Swimming Pool Equipment Co., C. A. 480-60-Y, Southern District of California, Central Division, held the patents here in suit valid and even after this Court held the said patents valid.

44.

That Landon, Inc. commenced the manufacture and sale (before the patents issued) of the patented filters in late 1955 and they were sold in the very first part of 1956. Following the early marketing by Landon, Inc., International Manufacturing Co., Inc. and Rudolph Jacuzzi produced and sold the accused filters, and I find as a fact that the production of the accused devices by International Manufacturing Co., Inc. and Rudolph Jacuzzi was prompted by the appearance of the patented filters and with full knowledge of their construction and mode of operation and were not independently conceived by International Manufacturing Co., Inc. or Rudolph Jacuzzi.

45.

The infringement of the patents in suit by International Manufacturing Co., Inc. and Rudolph Jacuzzi was wilful, intentional and deliberate.

46.

That Landon, Inc. properly marked the patented filters produced by it in accordance with the requirement of the applicable statute 35 U. S. C. 287.

47.

International Manufacturing Co., Inc. and Rudolph Jacuzzi admitted, in their Amended Answer to the Amended Complaint, both on file herein, and the Court so finds, that defendant, Rudolph Jacuzzi, is the sole stockholder of defendant, International Manufacturing Co., Inc., and is the President and a director of said defendant, International Manufacturing Co., Inc.; that defendant, Rudolph Jacuzzi, dominates, directs and controls the actions and manufacturing policies of said defendant, International Manufacturing Co., Inc.; that defendant, Rudolph Jacuzzi, is the person who actively directs and actually conducts the business of defendant, International Manufacturing Co. Inc.; and this Court further finds that Rudolph Jacuzzi directed the manufacture and sale of the accused International Manufacturing Co., Inc. skim filter.

AS TO MISUSE AND ANTITRUST LAW VIOLATION

48.

The Pace and Cavenah patents in suit are interlocking patents. The Pace patent discloses the general combination of a filter housing having a horizontal neck extending to and communicating with the pool. A weir is disposed in the neck to perform a skimming operation

and a filter element disposed in the housing below the level of the neck to receive and filter the water entering the housing. The Cavenah patent covers an improvement thereon, namely, forming a peripheral seat in the housing below the inlet neck to the pool and above the filter element assembly, and in addition, providing a removable vacuum lid seatable upon the seat in the housing. Also there is provided a vacuum outlet in the housing so that when the lid is seated, the skim filter will have the additional function of vacuuming the pool.

49.

The Pace patent was issued first and was issued to Robert M. Pace. The Cavenah improvement patent was subsequently issued to Landon, Inc., the assignee of the inventor Cavenah.

50.

The Pace and Cavenah patents in suit together cover only a single article, namely, the improved filter (a combination of both the Pace and Cavenah inventions) shown in the Cavenah patent and its equivalents. A licensee under the Pace patent alone could not make, use or sell the Pace filter with the vacuuming improvement of the Cavenah patent since this would infringe the Cavenah patent. Likewise, a licensee under the Cavenah patent alone cannot build the improved skim filter of the Cavenah patent without infringing the basic Pace patent.

51.

Landon, Inc. attempted to license manufacturers under its Cavenah patent alone but was unable to do so because

the prospective licensees refused to take a license because the skim filters they would make under the Cavenah patent would be in conflict with the basic Pace patent which was held by Robert M. Pace.

52.

Upon advice of counsel, Robert M. Pace and Landon, Inc. entered into an agreement on November 15, 1958, whereby Robert M. Pace assigned his patent to Landon, Inc. and Landon, Inc. agreed to seek licensees under both the Pace and Cavenah patents.

53.

There is no provision in the agreement between Robert M. Pace and Landon, Inc. to restrict the number of licensees, to license only those of a certain class, or not to license others under these patents, but rather, Landon, Inc. was to attempt and did attempt to secure as many licensees under these patents as possible.

54.

Landon, Inc. thereafter offered licenses under both the Pace and Cavenah patents under uniform terms and conditions to all who wish licenses thereunder. There has been no discrimination or favoritism to any of the licensees or prospective licensees by Landon, Inc. Rather, the evidence shows clearly that all such licensees or prospective licensees have been treated equally. Landon, Inc. never refused to license any manufacturer under the uni-

form terms offered to others. The terms and provisions of these license agreements are reasonable.

55.

As a result of the agreement between Robert M. Pace and Landon, Inc., the public has been able to receive the benefits of the Pace invention as well as the Cavenah improvement to the Pace invention.

56.

Neither Landon, Inc. nor Robert M. Pace intended or attempted to coerce anyone into taking a license under the patents in suit, but rather, all persons who were offered licenses under the patents in suit or who sought licenses under the patents in suit were free to accept or refuse such licenses as they desired.

57.

Landon, Inc., after it acquired title to the Pace patent, offered a license to International Manufacturing Co., Inc. under both the Pace and Cavenah patents (which was refused). However, International Manufacturing Co., Inc. did not seek and has not sought a license from Landon, Inc. under the patents in suit and has never been refused a license under the patents in suit by Landon, Inc.

58.

No one has ever sought a license from Landon, Inc. under the Pace patent alone or under the Cavenah patent alone since the agreement between Robert M. Pace and Landon, Inc. was entered into on November 15, 1958.

59.

Landon, Inc. has never refused to grant a license to anyone under the Pace patent alone or under the Cavenah patent alone.

60.

There is presently no commercial market or a desire on the part of the public for a skim filter built in accordance with the Pace disclosure alone without the addition of the vacuuming improvement shown in the Cavenah patent.

61.

Since the entering into of the agreement between Robert M. Pace and Landon, Inc. no one has manufactured and marketed a Pace skim filter without also adding thereto the Cavenah vacuuming improvement.

62.

The accused filter of International Manufacturing Co., Inc. uses both the basic combination of the Pace patent and the vacuuming improvement of the Cavenah patent.

63.

At the time that the agreement between Robert M. Pace and Landon, Inc. was entered into, there were many infringers of the patents in suit. Landon, Inc. attempted to stop infringement of the patents in suit by suing infringers, one at a time, depending upon the outcome of the first suit to guide the remaining infringers as to whether they would take a license or cease infringing.

64.

To insure that there would be funds available for policing of the patents in suit against infringement, the agreement entered into by Robert M. Pace and Landon, Inc. provided that the royalties received from licensees were to pass first through a trust fund and then be paid to Landon, Inc. and Pace. The money in the trust fund was to be used for litigation and other patent policing expenses. This provision prevented either party from refusing to share in the burden of policing and enforcing the patents for the protection of licensees.

65.

Each and every charge of infringement made by Landon, Inc. was made in good faith after thorough investigation of the accused structures.

66.

All suits brought by Landon, Inc. for infringement of the patents in suit were brought in good faith after thorough investigation of the accused structures.

67.

The Complaint brought by Landon, Inc. against International Manufacturing Co., Inc. and Rudolph Jacuzzi for infringement of the patents in suit was brought in good faith by Landon, Inc. after thorough investigation of the accused devices made by International Manufacturing Co., Inc.

68.

Subsequent to the outcome of prior suits brought by Landon, Inc. for infringement of the patents in suit, Landon, Inc. has informed the trade as to the outcome of said suits. Such notification to the trade has not in any way enlarged upon or misrepresented the scope of the judgment or judgments in favor of Landon, Inc.

69.

Subsequent to the issuance of several licenses under the Pace and Cavenah patents in suit, Landon, Inc. with good cause believed that one of its licensees, without paying royalties, was supplying complete filter element assemblies to a non-licensee with knowledge that such non-licensee was incorporating these assemblies into an infringing filter on which no royalty was being paid. In order to put a stop to this, Landon, Inc. notified its licensees in good faith that any supplying of filter element assemblies or parts other than for replacement purposes by these licensees to unlicensed persons would violate the licenses and constitute contributory infringement. The filter elements or parts referred to in these notices were material elements of the patented combination and could not be used for any non-infringing use without making many substantial structural changes therein.

70.

The evidence shows clearly that neither Robert M. Pace nor Landon, Inc. has committed any acts of patent misuse.

71.

There has been no conspiracy between Landon, Inc. and Robert M. Pace to commit any wrongful act.

72.

There has been no intention on the part of Landon, Inc. or Robert M. Pace to extend the monopoly granted by the patents in suit beyond the limits granted by such patents.

73.

There have been no acts by Landon, Inc. or Robert M. Pace wherein the monopoly granted by the patents in suit has been extended beyond the limits granted by such patents.

74.

Neither Landon, Inc. nor Robert M. Pace has made any use whatsoever of the Pace and Cavenah patents in suit to suppress or control the sale of any staple article or commodity of commerce suitable for non-infringing use.

75.

In the license agreements between Landon, Inc. and its licensees under the patents in suit, there are no provisions whatsoever fixing prices or allocating territories.

76.

At no time has there been and there are not now any agreements or understandings between Landon, Inc. or Robert M. Pace and any of the licensees under the pat-

ents in suit concerning the fixing of prices or the allocating of territories amongst the licensees.

77.

There has been no intent or attempt on the part of either Robert M. Pace or Landon, Inc. to establish or control prices at which the licensed skim filters were sold. To the contrary, the evidence shows clearly that the licensees under the patents in suit were in free and open competition with one another and with other manufacturers of similar devices and that the price at which each licensee sold said licensed filters was reasonable and was determined on an openly competitive basis with other licensees and with the manufacturers of competing filters.

78.

The license agreements whereby Landon, Inc. licensed manufacturers under the Pace and Cavenah patents in suit are to remain in effect until the expiration of the last to expire patent. Royalties under these license agreements are due on devices coming within the scope of any of the claims of either patent. I find it a fact that these license agreements require a licensee to pay royalties only on devices covered by a claim or claims of an unexpired patent, and do not require the payment of royalties on devices covered only by claims of an expired patent.

79.

There was no intent or attempt by either Robert M. Pace or Landon, Inc. to monopolize the skim filter indus-

try beyond the scope of the Pace and Cavenah patents by patent litigation or threats of patent litigation.

80.

There was no intent or attempt on the part of either Robert M. Pace or Landon, Inc. to use the Pace and Cavenah patents in suit to dominate or restrain the sale of skim filter devices which are outside the scope of said patents.

81.

The evidence clearly shows that neither Robert M. Pace nor Landon, Inc. has committed any acts which are in restraint of trade or commerce among the several states or with foreign nations, nor has either Robert M. Pace or Landon, Inc. committed any acts or attempted to commit any acts which would monopolize any part of the trade or commerce among the several states or with foreign nations which are not permitted by law.

82.

There has been no damage to International Manufacturing Co., Inc. or Rudolph Jacuzzi on account of any activities by Landon, Inc.

CONCLUSIONS OF LAW

1.

That this Court has jurisdiction of the subject matter and of the parties.

2.

That LANDON, INC. is the sole owner of all of the right, title and interest in and to and under Letters Patent in suit Nos. 2,826,307 and 2,844,255.

As to Validity

3.

That the claims of the Pace patent in suit particularly point out and distinctly claim the invention in full accordance with law and are good and valid in law.

4.

That the claims of the Cavenah et al. patent in suit particularly point out and distinctly claim the invention in full accordance with law and are good and valid in law.

5.

Under Title 35 U.S.C. § 282, the patents in suit are presumed to be valid and the burden of establishing invalidity rested on defendants and the defendants failed to sustain that burden.

6.

The presumption of validity of the patents in suit in the present case is strengthened by the fact that the Patent Office considered the most pertinent prior art

during the examination of the application for the patents in suit.

7.

The presumption of validity of the patents in suit in the present case is strengthened by the fact that after full trial the patents in suit were adjudged to be valid by the United States District Court, for the Southern District of California (Judge Leon Yankwich) in Landon, Inc. v. Marine Swimming Pool Equipment Co., C. A. 480-60-Y (reported at 195 F. Supp. 41), in the trial of which case the same and the most material and pertinent prior art and the same and the most material and pertinent evidence of alleged invalidity was introduced in evidence and considered by the Court as was introduced in evidence and considered in the suit at bar.

8.

Where, as in this case, the patented device has to a very marked degree superseded what had been used almost exclusively by the industry involved for many years, and tribute has been paid to the patent by all the leaders in the industry involved, such evidence is very persuasive evidence that the patents thereon are valid.

9.

Where, as in this case, the prior art offered in evidence and alleged to anticipate the patented inventions did not have the capabilities of performing the functions or accomplishing the results of the patented device unless reconstructed and given a new mode of operation in the

light of the teachings of the patents in suit, such prior art is insufficient to invalidate the patents in suit.

10.

The fact, as in this case, that the patented inventions did not produce an entirely new or startling and unheard of ultimate result does not negative invention in the patented device since, with respect to the result produced, it is not essential that it be a wholly new result but it is sufficient if an old result is effected in a more facile, economical or efficient way.

11.

The concept of the patents in suit of combining elements to form a filtering apparatus having a new modus operandi and which produces a new or improved result is patentable whether such elements are all old in the art or some are old and others are new; with respect to the result produced, it is not essential to patentability that it be a wholly new result, but it is sufficient if an old result is effected in a more facile, economical or efficient way.

12.

Where, as in this case, the inventions of the patents in suit were not obvious to a person having ordinary skill in the art at the time the inventions were made, evidence showing that after the inventions were disclosed and the patents were issued prior art devices could be modified by an engineer by changing their construction and mode of operation to conform to the new teachings

of the patents in suit is insufficient evidence to invalidate the patents.

13.

The test for invention, as laid down in Title 35, U. S. C. § 103, is whether the patented subject matter would have been obvious to a person having ordinary skill in the art "at the time the invention was made" not what is obvious after the patent has issued.

14.

Where, as in this case, the invention of a patent was not obvious to a person having ordinary skill in the art at the time the invention was made, evidence showing that it is easy after the patent has issued and the invention is disclosed to select and assemble various parts from prior art patents and devices and achieve a nunc pro tunc solution of the problems confronting the inventor when he made the invention, is insufficient to invalidate a patent.

15.

Where, as in this case, the evidence shows that the concept of the inventions of the patents in suit escaped the experts of the industry involved for many years, although they solved a problem facing that industry for years, such evidence is cogent evidence of patentable invention, and the fact that the concepts were simple in nature does not negative patentable invention.

16.

The facts in this case, that there was a long standing want and demand, which were satisfied by the inventions

of the patents in suit, demonstrate the existence of patentable invention and the validity of the patents in suit.

17.

That the Pace patent in suit No. 2,826,307 was regularly issued in accordance with law and it and each of the claims thereof are good and valid in law.

18.

The Cavenah et al patent in suit No. 2,844,255 was regularly issued in accordance with law and it and each of the claims thereof are good and valid in law.

As to Infringement

19.

In that the accused International Manufacturing Co., Inc. skim filter is a substantial duplicate of the disclosure of the Pace patent in suit and includes every element thereof and differs in construction therefrom only in immaterial respects and has the same mode of operation and produces the same results by substantially the same means as the claimed invention, such accused International Manufacturing Co.. Inc. skim filter infringes each and every claim of the Pace patent in suit.

20.

In that the accused International Manufacturing Co., Inc., skim filter is a substantial duplicate of the disclosure of the Cavenah patent in suit and includes every element thereof and differs in construction therefrom only in immaterial respects and has the same mode of operation and produces the same results by substantially the same means as the claimed invention, such accused International

Manufacturing Co., Inc. skim filter infringes each and every claim of the Cavenah patent in suit.

As to Personal Liability of Rudolph Jacuzzi

21.

In that Rudolph Jacuzzi was the sole stockholder, President and general manager of the International Manufacturing Co., Inc., in personal control thereof and acted as its guiding spirit and the active directing head in full charge of its operations, he is personally liable for the acts of infringement carried on by the defendant, International Manufacturing Co., Inc. That International Manufacturing Co., Inc. is the alter ego of Rudolph Jacuzzi.

22.

The infringement of the patents in suit by International Manufacturing Co., Inc. and Rudolph Jacuzzi was wilful, intentional and deliberate.

As to Misuse and Antitrust Counterclaim

23.

International Manufacturing Co., Inc. and Rudolph Jacuzzi misuse and antitrust counterclaim and defenses are all based on allegations having no justification in fact, and no substantial evidence in support thereof was introduced at the trial.

24.

Landon, Inc. and Robert M. Pace have not used the patents in suit to restrict competition in violation of any law.

25.

Landon, Inc. and Robert M. Pace confined their activities concerning the patents in suit within the particular monopoly afforded by the patents in suit. Neither is Landon, Inc. nor Robert M. Pace guilty of violation of antitrust laws, unclean hands or misuse of the patents in suit, or either of them; accordingly, the International Manufacturing Co., Inc. and Rudolph Jacuzzi counterclaim should be dismissed.

26.

The evidence fails completely to establish any violation by Landon, Inc. of the Sherman Act or any other antitrust law.

27.

The evidence fails completely to establish any misuse by Landon, Inc. of the patents in suit.

28.

It is not patent misuse or a violation of the antitrust laws to bring in good faith a suit for patent infringement against an infringer and thereby cause the infringer to choose between defending the action, stopping the accused activities or accepting a license.

29.

Under the facts of the present case, the notification by Landon, Inc. to the trade of the results of prior litigation was proper and lawful and did not and does not constitute either patent misuse or a violation of any antitrust laws.

30.

It is an act of contributory infringement for a licensee under a combination patent to supply a material element of the patented combination to an unlicensed person who then incorporates such elements into an infringing device when such licensee knows that these material elements cannot be used for any non-infringing use without making many substantial structural changes therein and when no royalty is paid to the licensor by either the licensee or the unlicensed person.

31.

The notification of Landon, Inc. to its licensees that the supplying of filter assemblies and parts therefor to a non-licensee for incorporation into an infringing structure was an act of contributory infringement and would violate the licenses and would subject the licensee to a suit for infringement was proper and lawful and did not constitute either an act of patent misuse or a violation of the antitrust laws.

32.

The bringing of infringement suits by Landon, Inc., one at a time, against the infringers of the patents in suit was proper and did not constitute either patent misuse or a violation of the antitrust laws.

33.

Infringement suits which are initiated to protect a lawful patent monopoly, and not as part of an over-all plan to eliminate or unlawfully control competition, do not constitute a misuse of the patents.

34.

Landon, Inc. litigation activities, past and present, have not and do not constitute unclean hands or misuse of the patents in suit.

35.

The establishment of the trust fund by the agreement of November 15, 1958, between Robert M. Pace and Landon, Inc., whereby royalties received might be accumulated for legally policing and enforcing the patents in suit, was proper and did not constitute either patent misuse or a violation of the antitrust laws.

36.

The provisions in the licenses of the two patents in suit whereby the licenses are to expire at the expiration of the last-to-expire patent and wherein royalties are due on devices coming within the scope of any of the claims of either patent do not require the licensees to pay royalties for devices covered only by claims of an unexpired patent and therefore the provisions are proper and do not constitute either patent misuse or a violation of the antitrust laws.

37.

A license which, by its terms, continues until the expiration of all of the patents covered by such license, does not constitute a patent misuse, in the absence of a showing of coercion on the part of the patent owners that the licensee accede to such a provision.

38.

The licensing of several patents in a single license agreement does not constitute a patent misuse unless the element of coercion is present, such as where there has been a request by a prospective licensee for a license under less than all of the patents and a refusal by the licensor to grant such a license.

39.

Under the facts of the present case, the package licensing of the interlocking Pace and Cavenah patents in suit by Landon, Inc. was and is proper and does not constitute either an act of patent misuse or a violation of the antitrust laws.

40.

Under the facts of the present case, the agreement by Robert M. Pace and Landon, Inc., for Landon, Inc. to license the interlocking Pace and Cavenah patents in suit, was and is proper and does not constitute either an act of patent misuse or a violation of the antitrust laws.

41.

Landon, Inc. licensing program and sales program, past and present, have not and do not constitute misuse of the patents in suit.

42.

The expense sustained by International Manufacturing Co., Inc. and Rudolph Jacuzzi as a result of the activities of Landon, Inc., namely, the amount spent by International Manufacturing Co., Inc. and Rudolph Jacuzzi in

prosecuting this action against Landon, Inc., does not constitute such injury to business or property as will support the charge of antitrust violation made by International Manufacturing Co., Inc. and Rudolph Jacuzzi.

43.

The traditional form of patent licensing followed by Robert M. Pace and/or Landon, Inc. does not constitute either patent misuse or a violation of the antitrust laws.

44.

As to the Judgment

Landon, Inc. is entitled to a Judgment,

(a) dismissing the counterclaim as being without merit;

(b) adjudging the two patents in suit and all the claims thereof to be good and valid in law;

(c) adjudging that International Manufacturing Co., Inc. and Rudolph Jacuzzi have infringed each of the claims of the two patents in suit by the manufacture and sale of International Manufacturing Co., Inc. skim filters;

(d) adjudging that Landon, Inc. is entitled to a Writ of Injunction, issuing out of and under the seal of this Court, enjoining and restraining International Manufacturing Co., Inc. and Rudolph Jacuzzi, its and their officers, associates, attorneys, employees, servants and those in privity with International Manufacturing Co., Inc. and Rudolph Jacuzzi, from in any manner manufacturing, using or selling or offering for sale skim filter devices coming within the scope

of the claims of the patents in suit, Nos. 2,826,307 and 2,844,255;

(e) adjudging that Landon, Inc. is entitled to an accounting of its damages for the infringement from International Manufacturing Co., Inc. and Rudolph Jacuzzi in an amount equal to the profits realized by International Manufacturing Co., Inc. and Rudolph Jacuzzi by reason of their infringement, or a reasonable royalty for the use of the patents in suit, whichever is the greater;

(f) adjudging that the damages, when determined, be recovered by Landon, Inc. from International Manufacturing Co., Inc. and Rudolph Jacuzzi, jointly and severally, and that Landon, Inc. have execution therefor;

(g) adjudging that Landon, Inc. is entitled to its expense and cost of suit and have execution therefor.

Dated: This 8 day of November, 1962.

George B. Harris
United States District Judge

Appendix D

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In the United States District Court
Northern District of California
Southern Division

Civil Action No. 38,871

Jacuzzi Bros., a corporation, Plaintiff, vs. Landon, Inc., a corporation, Defendant.	Civil Action No. 38,871

JUDGMENT

This cause, having come on for trial before this Court, witnesses for both sides having been heard, documentary and physical exhibits having been received in evidence, briefs having been filed and oral argument having been made, and the Court having made its Findings of Fact and Conclusions of Law

It Is Hereby Ordered, Adjudged and Decreed, as Follows:

I.

That this Court has jurisdiction of this cause and of the parties.

II.

That Landon, Inc., is a corporation of the State of California, having a principal place of business at San Carlos, California.

III.

That Jacuzzi Bros., is a corporation of the State of California, having a principal place of business in Richmond, California.

IV.

That Landon, Inc., is the sole owner of the Pace Patent in suit No. 2,826,307.

V.

That Landon, Inc., is the sole owner of the Cavenah et al. Patent in suit No. 2,844,255.

VI.

That the Pace Patent in suit No. 2,826,307 and each of the claims thereof is good and valid in law.

VII.

That the Cavenah et al. Patent in suit No. 2,844,255 and each of the claims thereof is good and valid in law.

VIII.

That Jacuzzi Bros. has infringed each of the claims of Patents Nos. 2,826,307 and 2,844,255 in suit by the manufacture and sale of skim filters.

IX.

That a Writ of Injunction issue out of and under the seal of this Court, enjoining and restraining Jacuzzi Bros., its officers, associates, attorneys, employees, servants and those in privity with Jacuzzi Bros., from in any manner manufacturing, using or selling or offering for sale skim filter devices coming within the scope of the claims of Patents Nos. 2,826,307 and 2,844,255.

X.

That this matter shall be referred to Donald Constine to act as a Master to make and render an accounting as to the extent of the manufacture and sale of infringing skim filter devices by Jacuzzi Bros., and the amount of damages suffered by Landon, Inc., and that Landon, Inc. recover as damages an amount equal to the profits realized by Jacuzzi Bros. by reason of its infringement, or a reasonable royalty for the use of the patents in suit, whichever is the greater.

XI.

That when the damages are determined, Landon, Inc. recover the same from Jacuzzi Bros., and that Landon, Inc. have execution therefor.

XII.

That Landon, Inc. is entitled to its expense and cost of suit in the amount of ..... Dollars, and that Landon, Inc. have execution therefor.

Dated: This 8 day of November, 1962.

George B. Harris
United States District Judge

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In the United States District Court
Northern District of California
Southern Division

Civil Action No. 38,754

Landon, Inc., a corporation, Plaintiff, vs. International Manufacturing Co., Inc., a corporation, and Rudolph Jacuzzi, an individual, Defendants.	No. 38,754 Civil Action

JUDGMENT

This cause, having come on for trial before this Court, witnesses for both sides having been heard, documentary and physical exhibits having been received in evidence, briefs having been filed and oral argument having been made, and the Court having made its Findings of Fact and Conclusions of Law,

It Is Hereby Ordered, Adjudged and Decreed, as Follows:

I.

That this Court has jurisdiction of this cause and of the parties.

II.

That Landon, Inc., is a corporation of the State of California, having a principal place of business at San Carlos, California.

III.

That International Manufacturing Co., Inc., is a corporation of the State of California, and has a regular and established place of business at Concord, California.

IV.

That Rudolph Jacuzzi, is an individual, a resident of Lafayette, California.

V.

That Landon, Inc., is the sole owner of the Pace Patent in suit No. 2,826,307.

VI.

That Landon, Inc., is the sole owner of the Cavenah et al. Patent in suit No. 2,844,255.

VII.

That the Pace Patent in suit No. 2,826,307 and each of the claims thereof is good and valid in law.

VIII.

That the Cavenah et al. Patent in suit No. 2,844,255 and each of the claims thereof is good and valid in law.

IX.

That International Manufacturing Co., Inc. and Rudolph Jacuzzi have infringed each of the claims of Patents Nos. 2,826,307 and 2,844,255 in suit by the manufacture and sale of International Manufacturing Co., Inc. skim filters.

X.

That a Writ of Injunction issue out of and under the seal of this Court, enjoining and restraining International Manufacturing Co., Inc. and Rudolph Jacuzzi, its and their officers, associates, attorneys, employees, servants and those in privity with International Manufacturing Co., Inc. and Rudolph Jacuzzi, from in any manner manufacturing, using or selling or offering for sale skim filter devices coming within the scope of the claims of Patents Nos. 2,826,307 and 2,844,255.

XI.

That this matter shall be referred to Donald Constine to act as a Master to make and render an accounting as to the extent of the manufacture and sale of infringing skim filter devices by International Manufacturing Co., Inc. and Rudolph Jacuzzi, and the amount of damages suffered by Landon, Inc., and that Landon, Inc. recover as damages an amount equal to the profits realized by International Manufacturing Co., Inc. and Rudolph Jacuzzi by reason of their infringement, or a reasonable

royalty for the use of the patents in suit, whichever is the greater.

XII.

That when the damages are determined, Landon, Inc., recover the same from International Manufacturing Co., Inc. and Rudolph Jacuzzi, jointly and severally, and that Landon, Inc. have execution therefor.

XIII.

That Landon, Inc., is entitled to its expense and cost of suit in the amount of ..... Dollars, and that Landon, Inc. have execution therefor.

Dated: This 8 day of November, 1962.

George B. Harris
United States District Judge

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In the Supreme Court
OF THE
United States

OCTOBER TERM, 1964

No. 674

JACUZZI BROS., INC.,
Petitioner,

vs.

LANDON, INC.,
Respondent.

INTERNATIONAL MANUFACTURING CO., INC., et al.,
Petitioners,

vs.

LANDON, INC.,
Respondent.

On Petition for Writ of Certiorari to the United States Court of Appeals for the Ninth Circuit

BRIEF FOR RESPONDENT IN OPPOSITION

PRELIMINARY STATEMENT

In this brief we will refer to pages in the brief and petition of petitioners as "P.B. ....", and to the appendix to the petition and brief of petitioners as "P.A. ....".

OPINION BELOW

The opinion of the United States Court of Appeals for the Ninth Circuit, printed at P. A. 3-15, has recently been reported at 336 F.2d 723.

JURISDICTION

The jurisdictional requisites are adequately set forth in the petition at P.B. 2.

QUESTIONS PRESENTED

The questions as presented by petitioner are much broader than are actually raised by the proceedings below. Involved here are two blocking patents which cover a single product, namely, a swimming pool skim filter. The facts clearly establish that in order to be commercially acceptable a skim filter cannot be built under the teachings of one of these two patents alone, because the only desire in the swimming pool industry is for a skim filter which incorporates the teachings of both patents.

The question presented is whether it is permissible for the owners of two patents which together cover a single particular product to require a licensee who desires to manufacture that particular product to take a license under both patents.

STATEMENT OF THE CASE

The factual background of the present case has been well summarized by the Court of Appeals for the Ninth Circuit, at 336 F.2d 723, 729 (P.A. 12) as follows:

"* * * The trial court found that, although the two patents were issued at different times, they together covered only a single article. No commercially feasible device could be manufactured under one of the patents without infringing the other. For this reason, Cavenah and Pace were found to be blocking, or interlocking, patents.

"Landon's first efforts to license manufacturers under the Cavenah patent alone were frustrated by the manufacturers' unwillingness to accept Cavenah without also being licensed under Pace. In order to end this impasse, Robert M. Pace, then owner of the Pace patent and Landon entered an agreement whereby (1) the Pace patent was assigned to Landon, (2) Landon granted Robert Pace a royalty-free, non-exclusive license under both patents, (3) Landon promised to license the patents collectively only, and (4) Landon and Robert Pace agreed to share royalties according to a set formula.

"No attempt was made to limit the number of licenses issued pursuant to this agreement. All licenses were offered under uniform terms and conditions to all who wished licenses. Since the agreement was entered into, no one has ever sought a license from Landon under the Pace patent alone or the Cavenah patent alone. Since the agreement was entered into no one has manufactured and marketed a Pace skim filter without also adding thereto the Cavenah vacuuming improvement."

ARGUMENT

The petition for writ of certiorari should be denied on the grounds that the decision of the Court below was

proper and just, and is in full harmony with previous decisions of this Court and the decision of the Court of Appeals for the Third Circuit in *American Securit v. Shatterproof Glass Co.*, 268 F.2d 769.

THE COMBINING TOGETHER OF SEPARATELY OWNED BLOCKING PATENTS IS DESIRABLE.

As previously mentioned, the Pace and Cavenah patents involved here are blocking patents, in that they both relate to a single particular swimming pool skim filter. No commercially feasible device could be manufactured under one of the patents without infringing the other. Attempts by Landon to license manufacturers under the Cavenah patent were frustrated because the manufacturers were unwilling to accept such a license without also being licensed under the Pace patent. Landon and Pace then joined together so that licenses could be offered under both patents. Licenses were then offered under uniform terms and conditions to all who wished licenses and so the public could lawfully obtain the full benefits of the efficiency and economy of the inventions.

The combining of blocking patents has been recognized as beneficial by this Court in *Standard Oil Co. v. United States*, 283 U. S. 163; 171:

> "* * * An interchange of patent rights and a division of royalties according to the value attributed by the parties to their respective patent claims is frequently necessary if technical advancement is not to be

blocked by threatened litigation.[5] If the available advantages are open on reasonable terms to all manufacturers desiring to participate, such interchange may promote rather than restrain competition. * * *"

"[5]This is often the case where patents covering improvements of a basic process, owned by one manufacturer, are granted to another. A patent may be rendered quite useless, or 'blocked,' by another unexpired patent which covers a vitally related feature of the manufacturing process. Unless some agreement can be reached, the parties are hampered and exposed to litigation. * * *"

This Court has also considered the effect of blocking patents in *United States v. Line Material Co.*, 333 U.S. 287:

"* * * The decision of the Patent Office, awarding dominant claims to Southern and subservient claims to Line on the Lemmon and the Schultz applications made it impossible for any manufacturer to use both patents when later issued without some cross-licensing arrangement. Cf. Temco Electric Motor Co. v. Apco Mfg. Co., 275 U.S. 319, 328, 48 S.Ct. 170, 173, 72 L.Ed. 298. Only when both patents could be lawfully used by a single maker could the public or the patentees obtain the full benefit of the efficiency and economy of the inventions. * * *

* * *

"* * * Undoubtedly one purpose of the arrangements was to make possible the use by each manufacturer of the Lemmon and Schultz patents. These patents in separate hands produced a deadlock. Lemmon by his basic patent 'blocked' Schultz' improvement. Cross-licenses furnished appellees a solution."

The dissenting opinion of Mr. Justice Burton, in *Line Material* has the following language at 333 U.S. 357:

> "In distinction from patent pools and from cross-licenses between holders of competing or even non-competing but unrelated patents, we have here a case of a cross-license and a division of royalties between holders of patents which are complementary and vitally dependent upon each other. We have here complementary patents each of which alone is commercially of little value, but both of which, together, spell commercial success for the product. Cross-licenses between their holders, on terms within the needs of their patent monopolies, are essential to the realization of the benefits contemplated by the patent statutes. Far from being unlawful agreements violative of the Sherman Act, such agreements provide in fact the only reasonable means for releasing to the public the benefits intended for the public by the patent laws. A cross-license between mutually deadlocked complementary patents is, per se, a desirable procedure. Standard Oil Co. v. United States, 283 U.S. 163, 170 et seq., 51 S.Ct. 421, 423, 75 L.Ed. 926."

In *Line Material* it was held by this Court that it was misuse of the patent pool to attach price fixing agreements as part of the licensing of the two blocking patents. *There is no price fixing agreement involved in the present matter.*

THE PACKAGE LICENSING OF TWO BLOCKING PATENTS DOES NOT INVOLVE AN UNLAWFUL "TYLING" ARRANGEMENT.

Petitioners allege that the Court below did not follow the decisions of the Court in *United States v. Paramount Pictures,* 334 U.S. 131, and *United States v. Loews, Inc.,* 371 U.S. 38, wherein tying arrangements involving motion pictures were held to be unlawful.

However, as pointed out by the Court below, a "tying" arrangement involves two separate and distinct products and is defined as "an agreement by a party to sell one product but only on the condition that the buyer also purchases a different (or tied) product, or at least agrees that he will not purchase that product from any other supplier." *Northern Pac. R. Co. v. United States,* 356 U.S. 1. The wrong created by a "tying" agreement has been stated by this Court in *Times-Picayune v. United States,* 345 U.S. 594, as follows:

> "The common core of the adjudicated unlawful tying arrangements is the forced purchase of a second distinct commodity with the desired purchase of a dominant 'tying' product, resulting in economic harm to competition in the 'tyed' market."

The Court below was, therefore, clearly correct in holding that the blocking patents here do not present a "tying" situation, since only one product, the skim filter, is involved, with a license under both patents being necessary to enable the licensee to manufacture the filter lawfully.

IT IS NOT UNLAWFUL TO REQUIRE THAT TWO BLOCKING PATENTS BE LICENSED AS A UNIT.

Since there is no "tying" involved in a license of two blocking patents, then it is proper to require that both patents be licensed as a unit.

The sound rationale of the Court below on this point is as follows:

> "It follows that it is not an unlawful tying arrangement for a seller to include several items in a single mandatory package when the items may be reasonably

considered to constitute parts of a single distinct product. A license package containing blocking patents may be considered a single distinct product. By definition, blocking patents disclose interdependent parts of the same product. The product—in this case a skimming and filter device for swimming pools—is no less a single product because its novel aspects are disclosed by two interlocking patents. In such a case, not only is it not unreasonable to treat both patents as constituting a single product, but also licensing them in a package deal appears to be the most practical way of making them available for public use.

"There is a further consideration which supports the result we reach here. If we were to condemn mandatory package licensing of blocking patents as a patent misuse, an owner of a blocking patent complex would be compelled to license only a part of the patent complex. This would be true even though he knew full well that the licensee would be able to use the patents only by violating the remaining unlicensed patents.

"A patent infringement suit arising from such circumstances could produce only one of two results: (1) it would be held that the licensee has obtained a useless license because it cannot be used without infringing other outstanding patents, or (2) it would be held that the license of part of the blocking patent complex carried with it an implied license to utilize the remaining part of the complex.

"The only relief a court could logically give in such a case is a privilege to use all the blocking patents or none of them. For this reason, we cannot see how it would be unreasonable for the parties, under these circumstances, to negotiate on an all or nothing basis from the beginning."

THE HOLDING OF THE COURT BELOW DOES NOT CONFLICT WITH THE DECISION OF THE COURT OF APPEALS FOR THE THIRD CIRCUIT IN AMERICAN SECURIT v. SHATTERPROOF GLASS CO., 268 F.2d 769.

Petitioners assert that the decision below is in "irreconcilable conflict" with *Securit*. (P.B. 7.) This is not so. Instead the two decisions are in full harmony with each other.

As noted by the Court below with regard to *Securit*, which involved mandatory package licensing of 31 patents and one patent application:

> "That case is different from the one before us in that it involved competing, rather than blocking, patents. In our opinion this distinction is an important one. Involved in the Securit case were method patents which, although they produced the same result, could possibly be used independently without infringing one another. The evil of mandatory package licensing in that case was that the prospective licensee, in order to obtain a license under one patent, would be compelled to accept licenses under patents that were not necessarily needed. The same evil does not arise in mandatory package licensing of blocking patents. In such a case, the prospective licensee is being compelled to accept no more than he would, in any event, have to obtain in order to make worthwhile a license under any of the patents."

Thus, under *Securit*, if a prospective licensee wants to make a particular product covered by one patent, it is unlawful to license him under that patent if he is also required to take a license under some other patent not covering the product. On the other hand, under the decision of the Court below, if a prospective licensee wants

to make a particular product covered by two blocking patents, then it is proper to require him to take a license under both patents covering that particular product.

Thus, instead of being in "irreconcilable conflict", the two decisions each reach proper results in different situations, depending upon whether the patents are "competing" or "blocking".

THE DECISION BELOW WILL PROMOTE, RATHER THAN RESTRAIN, COMPETITION.

Petitioners argue that it is necessary for this Court to review and strike down the decision below in order to prevent the lower courts from developing a tendency or pursuing an effort to hold patents to be "blocking" rather than "competing" and to strain to find all patents of a package to be valid. (P.B. 8.)

Respondent submits that there is no basis for petitioners' fears, which are purely hypothetical and based upon an assumption that the lower courts will not perform their proper duties. Such an indictment of our Courts, by petitioners, is unjustified.

Petitioners further argue that the effect of the decision below will further "predatory practices", will "upgrade the value of multiple-patent ownership" and "downgrade the value of individual inventions and ownership of single patents in derogation of the constitutional concept of promoting the progress of science and the useful arts." (P.B. 8-9.) However, the decision below concerns itself *only* with blocking patents and follows the reasoning expressed

by the majority opinion of this Court in *United States v. Line Material Co.*, 333 U.S. 287:

> "* * * Only when both patents could be lawfully used by a single maker could the public or the patentees obtain the full benefit of the efficiency and economy of the inventions. * * *"

THERE ARE NO RELATED ISSUES BETWEEN THE PRESENT MATTER AND SUSSER ET AL. v. CARVEL CORPORATION ET AL., 2 CIR., NO. 355, OCTOBER TERM, 1964.

Petitioners suggest that their petition be granted so that the questions presented here can be considered by this Court "along with the analogous and related questions presented by the petitioners for writ of certiorari in *Susser et al. v. Carvel Corporation et al.*, No. 355, October Term, 1964. (P.B. 10.)

This suggestion is not understood. The present matter involves merely the question of the licensing of two blocking patents covering a single particular product, whereas *Susser* is concerned with a tying arrangement wherein a trademark and patent owner has licensed the trademark and patents upon a condition that the licensee surrender his right to negotiate with suppliers of his own choice in connection with price, delivery and other aspects relating to unpatented goods.

There are no related issues between these two matters. A consideration of the problems involved in the "tied" and "tying" products of *Susser* would not have any bearing on a situation involving blocking patents covering a single product, and vice versa.

CONCLUSION

It is respectfully submitted that the petition for writ of certiorari be denied.

Dated, San Francisco, California,
November 24, 1964.

Respectfully submitted,

JACK E. HURSH,
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OSCAR A. MELLIN,
CARLISLE M. MOORE,
Of Counsel.

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In the Supreme Court
OF THE
United States

OCTOBER TERM, 1964

No. 674

JACUZZI BROS., INC.,
Petitioner,

vs.

LANDON, INC.,
Respondent.

INTERNATIONAL MANUFACTURING CO., INC., et al.,
Petitioners,

vs.

LANDON, INC.,
Respondent.

On Petition for Writ of Certiorari to the United States Court of Appeals for the Ninth Circuit

REPLY BRIEF FOR PETITIONERS

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PERNAU-WALSH PRINTING CO., SAN FRANCISCO

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In the Supreme Court
OF THE
United States

October Term, 1964

No. 674

Jacuzzi Bros., Inc.,	*Petitioner,*
vs.	
Landon, Inc.,	*Respondent.*
International Manufacturing Co., Inc., et al.,	*Petitioners,*
vs.	
Landon, Inc.,	*Respondent.*

On Petition for Writ of Certiorari to the United States Court of Appeals for the Ninth Circuit

REPLY BRIEF FOR PETITIONERS

MANDATORY PACKAGE LICENSING

Respondent attempts to justify its mandatory package licensing policy on antitrust authorities with the argument that this is not "a 'tying' situation since only one

product, the skim filter, is involved" (Respondent's Brief, page 7). This is clearly a tying situation since two patents are involved, and it is the two patents which Respondent has tied together. If the inventions of the two patents are used in a single physical product, the seller of the product might not be guilty of tying products under the antitrust laws. However, Respondent, under its mandatory package licensing policy, is not selling physical products. It is selling patent licenses. Respondent's "products" are intangible patent rights, and Respondent demands that a purchaser must buy the two different intangible products if he wants either.

These two intangible products, i.e., the two patents, must be different if the grant of the two patents was justified, and when Respondent ties the two products together, he prevents a prospective purchaser from evaluating either product on its own merits. If a prospective licensee believes that one patent of a package is valuable (valid and infringed) and another patent worthless (invalid) a tying practice forces the licensee to pay the price of the worthless patent to get the valuable patent. And herein lies the evil. The valuable patent enhances the market for the worthless patent and to that extent is misused because it is used to promote something outside of the scope of the valuable patent itself. As the Court of Appeals for the Third Circuit said:

> "Mandatory package licensing is no more than the exercise of the power created by a particular patent monopoly to condition the licensing of that patent upon the acceptance of another patent but that is too much. The protection, or monopoly, which is given to the first patent stops where the monopoly of the

second begins." (*American Securit Co. v. Shatterproof Glass Corp.*, 268 F.2d 769, 777, 122 USPQ 167, 174)

Both of Respondent's patents have now been held valid and hence valuable to some extent, and Respondent licenses them at a single price, so that it cannot be demonstrated mathematically as to which patent may enhance the other. However, this does not justify mandatory package licensing, because it is Respondent's tying of the patents which prevents their individual evaluation, and to the extent that Respondent hides the value of each patent in a joint license with the other, Respondent misuses both patents. The policy of mandatory package licensing is intended to and does in fact merge the two patents into a single club which is stronger than the mere summative strength of the individual patents, because the whole of the package is more difficult to evaluate and attack than the parts of the package.

PATENT POOLING

Respondent has attempted to restate the questions presented to avoid a major question presented by the petition, i.e., Question No. 2:

> "Whether patent owners may pool their patents for the purpose of having the holder of the pooled patents license them collectively and not otherwise."

Respondent was one of two parties who pooled the two patents in suit. These two parties contractually obligated Respondent to follow a policy of mandatory package licensing of the pooled patents.

Aside from the misuse problems in mandatory package licensing itself, Petitioners contend that mandatory package licensing is a restrictive practice which renders unlawful a patent pool or interchange. Thus, even if one person could lawfully follow a mandatory package licensing policy, a plurality of patent owners cannot combine or conspire to follow such a policy. The heart of this form of misuse is the combined effect of a restrictive practice (which one might engage in individually) and cooperative action (which may be lawful if it is not restrictive). As explained in the *Report of the Attorney General's National Committee to Study the Antitrust Laws,* U. S. Govt. Printing Office, March 31, 1955, at page 243:

> "Patent interchange may thus promote rather than restrain competition.
>
> On the other hand, the interchange of patents necessarily involves agreement and cooperation. If created with illicit purpose, or misused, it may lead to unreasonable restraints of trade and monopolization. Adjudicated cases demonstrate the manner in which entire industries may be regimented through misuse of the interchange. The patent is no shield for cooperative action outside the orbit of the patent grant, and those forming the interchange are subject to the prohibitions of the Sherman Act.
>
> Separating a licit from an illicit purpose in inception, the courts emphasize an interchange's activities as evidence of intent underlying its formation. An absence of restrictive practices evidences lack of improper intent. Contrariwise, an interchange is unlawful if formed with the purpose of regimenting an industry, fixing prices and eliminating competi-

tion, or threatening litigation with accompanying undue restraint of trade."

Respondent's brief is totally silent on the pooling problem.

CONCLUSION

The lower Court's decision is clearly in conflict with *American Securit Co. v. Shatterproof Glass Corp.*, 268 F.2d 769. The petition should be granted to resolve the conflict and to indicate clearly that mandatory package licensing of patents constitutes patent misuse in the same way as block booking constitutes copyright misuse.

This problem is related to package licensing of patents and trademarks in *Susser, et al. v. Carvel Corporation, et al.*, No. 355, October Term, 1964, and could be considered conveniently with that case. The tied and tying relation between Carvel's patents and trademarks is analogous to the tied and tying relation between Respondent's patents.

Dated, San Francisco, California,
December 22, 1964.

Respectfully submitted,
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JAS. M. NAYLOR,
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In the Supreme Court
OF THE
United States

OCTOBER TERM, 1964

No. 674

JACUZZI BROS., INC.,
Petitioner,

vs.

LANDON, INC.,
Respondent.

INTERNATIONAL MANUFACTURING CO., INC., et al.,
Petitioners.

vs.

LANDON, INC.,
Respondent.

PETITION FOR REHEARING

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In the Supreme Court
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LANDON, INC.,
Respondent.

PETITION FOR REHEARING

Petitioners pray that this Court grant a rehearing of its order of January 25, 1965, denying their petition for a Writ of Certiorari, and they further pray that a Writ of Certiorari issue to review the judgment of the Court of Appeals for the Ninth Circuit in the above-entitled cases as prayed for in the denied petition.

NEW QUESTIONS PRESENTED

The following new questions are presented in the face of certain facts, set forth hereinafter, which were not brought out in the denied petition, and in view of the very recent decisions of two federal district Courts. The district Court decisions are: (1) *Hazeltine Research, Inc. v. Zenith Radio Corp.*, Northern District of Illinois, Eastern Division, January 25, 1965,[1] and (2) *Rocform Corp. v. Acitelli-Standard Concrete Wall, Inc.*, Eastern District of Michigan, decided June 25, 1964, reported for the first time at 143 USPQ 405 on December 21, 1964, and now under appeal solely on the misuse issue before the Court of Appeals for the Sixth Circuit.[2]

THE FIRST NEW QUESTION

Does a patent licensor commit a *per se* violation of the antitrust laws when he attempts to coerce a prospective licensee into accepting the licensor's standard package license of patents?

THE SECOND NEW QUESTION

Does a patent licensor's admitted policy of requiring package licensing of its patents amount to an unlawful coercive practice where: the licensor offers its single and

---

[1] A copy of the unreported findings of fact and conclusions of law with respect to antitrust issues is appended hereto as Appendix A.

[2] A copy of the *Rocform* decision is appended hereto as Appendix B.

standard form of package license agreement to a prospective licensee; the prospective licensee refuses to enter into the agreement; and the licensor then sues the prospective licensee for infringement of one or more patents of the package?

It is respectfully submitted that the foregoing questions do not amount to subsidiary questions which are fairly comprised within any of the four questions presented in the denied petition.

THE RECENT DECISIONS

In the *Hazeltine* case, the Court found patent misuse and antitrust violation upon the following facts. Hazeltine used a standard form of package license for hundreds of patents. Hazeltine offered the package license to Zenith and the offer was refused. Suit for patent infringement followed. The Court concluded:

> ". . . Whatever may be the asserted reason or attempted justification of Hazeltine, its effort to compel defendant to accept a package of patents involved the use of one patent or group of patents as a lever to compel the acceptance of a license under others. Such a licensing scheme under applicable decisions of The Supreme Court is illegal and constitutes a misuse of the patents involved."[3]

In the *Rocform* case, the Court found patent misuse upon the following facts. Rocform used a standard form of package license for a small number of patents. Rocform

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[3]From Conclusion of Law No. 5, Appendix A hereto, page 22.

offered this standard package license to Acitelli-Standard and the license was refused. Suit for patent infringement followed.

SUPPLEMENTAL STATEMENT

As pointed out in the denied petition, Respondent is contractually obligated to follow a policy of package licensing of the two patents in suit and it has consistently followed that policy by way of a standard form of license. A license under both patents was offered to Petitioner, International, and was refused.[4] Petitioner refused the license because it had been advised by counsel that one of the two patents was invalid.[5]

As the opinion of the Ninth Circuit indicates,[6] Petitioners, by way of counterclaims, sought damages and injunctive relief against Respondent under the antitrust laws.

The trial Court found that Respondent had not committed any acts in restraint of trade or commerce and that it had not committed any acts which would monopolize any part of trade or commerce not permitted by law[7] and

---

[4]Finding No. 57, Appendix to Petition for Writ of Certiorari, page 94.

[5]Letter of December 15, 1959, the day before suit was filed against International, from Frank A. Neal, counsel for Petitioners, to Jack E. Hursh, counsel for Respondent, forming part of Exhibit 33; the text of the letter is reproduced as Appendix C hereto.

[6]Page 4 of Appendix to Petition for Writ of Certiorari.

[7]Findings of Fact 81 and 93, at pages 100 and 59, respectively, Appendix to Petition for Writ of Certiorari.

concluded that Respondent was entitled to judgments dismissing the counterclaims.[8]

These findings of fact and conclusions of law were specified in Petitioners' statements of points on appeal as being clearly erroneous and based upon either misapplication of the pertinent legal standards or the failure to properly consider those standards.

Petitioners did not waive or abandon their antitrust counterclaims. These counterclaims formed part of the subject matter on appeal to the Court of Appeals for the Ninth Circuit.

REASONS FOR GRANTING REHEARING

This Court has held that mandatory package licensing, or block booking, of copyrights constitutes a *per se* violation of the antitrust laws. *United States v. Paramount Pictures, Inc.*, 334 U.S. 131, 156-9 (1948); *United States v. Loews, Inc.*, 371 U.S. 38, 47-48 (1962).

Prior to the recent holding by the Court in *Hazeltine*, no court had squarely held in any reported decision known to Petitioners' counsel that mandatory package licensing of patents constituted a *per se* antitrust violation.

Petitioners submit that Respondent has violated the antitrust laws in the same way that the defendants in *Hazeltine*, *Paramount*, and *Loews* did. Hazeltine used the monopoly power of some of the patents in its package

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[8]Conclusions of Law 44(a) and 45(a), at pages 111 and 69, respectively, Appendix to Petition for Writ of Certiorari.

to attempt to coerce Zenith into taking a license under patents which Zenith did not want. Paramount and Loews used the monopoly power of some of the copyrights in their "blocks" to coerce theatres and television stations into booking the entire blocks of copyrighted films. Each of these activities amounted to an antitrust violation because monopoly power was used as a lever to accomplish something beyond the proper scope of the monopoly power.

Respondent used the monopoly of the Pace patent as a lever to attempt to coerce Petitioner into taking a license under both the Pace and Cavenah patents. Respondent may have been entitled to accomplish its end of licensing under both patents, but when it used its monopoly position under the Pace patent as the means to that end it unlawfully enhanced the lawful monopoly of the Pace patent.

PATENT MISUSE

The decisions in the *Hazeltine* and *Rocform* cases, Appendices A and B hereto, have crystallized the conflict between the Ninth Circuit in the present cases and the Third Circuit in *American Securit Co. v. Shatterproof Glass Corp.*, 268 F.2d 729, cert. denied 361 U.S. 902, rehearing denied 361 U.S. 973. Both the Ninth Circuit and the Third Circuit in *Securit* agree that a policy of package licensing of patents amounts to patent misuse where its effect is the use of one patent to attempt to coerce a prospective licensee into taking a license under another patent. The wrong is the coercion or the attempt to coerce.

The Third and Ninth Circuits are in conflict on the question: "What facts show coercion?" The Third Circuit in *Securit* held that an attempt to coerce is shown merely by the making of the package licensing mandatory, but the Ninth Circuit held in the cases at bar that, even though package licensing is mandatory, misuse is not to be found in the absence of additional proof that the mandatory policy had an actual coercive effect.

It is at this point that the *Hazeltine* and *Rocform* cases enter into the conflict between the Third and Ninth Circuits. In *Hazeltine* and *Rocform*: (1) the licensor had a standard form of package license agreement; (2) the licensor offered that package license to a prospective licensee; and (3) the licensor sued the prospective licensee when the package license was refused. The Courts in *Hazeltine* and *Rocform* held that these facts proved mandatory package licensing misuse because they proved coercion or the attempt to coerce.

Similar facts of coercion or the attempt to coerce are present in this case: (1) Respondent had but a standard form of package license to offer; (2) it offered this license to Petitioner, International; and (3) Respondent sued International when the package license was refused. International's refusal to take a license with respect to one of the two patents of the package was put upon the basis of counsel's advice that the patent in question (Cavenah) was invalid (Appendix C hereto).

Petitioners urged to the Ninth Circuit that these facts showed coercion or the attempt to coerce but the Court dismissed the contention as being based upon a hypo-

thetical set of facts "since both the Cavenah and Pace patents have been found to be valid."[9] The answer to this is two-fold : (1) the patents had not been adjudicated to be valid at the time the attempt at coercion took place; and (2) even if the two patents were valid Respondent was guilty of misuse when it used one in the attempt to coerce licensing of the other.

The Court below purported to distinguish the cases at bar over the *Securit* case on the theory that Respondent's patents relate to a single product. It should be noted that the same can be said of the patents of Hazeltine and Rocform. Hazeltine offered to license its package of patents for use in a single distinct product, a television receiver, and Rocform offered to license its package of patents for use in a single product, a system for erecting concrete structures. This does not excuse the mandatory package licensing policy, however, because neither the patent laws nor the antitrust laws authorize the use of one patent as a lever to coerce a licensee into taking a license under another patent.

REASONS FOR PRESENTING THE NEW QUESTIONS

Since the Petitioners did not raise the two new questions in the denied petition, the Court is entitled to know Petitioners' reasons as to why this was so.

As to the first new question, on January 25, 1965, the date of denial of the denied petition, a federal Court for the first time in any reported decision known to Peti-

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[9]Appendix to Petition for Writ of Certiorari, page 15.

tioners' counsel squarely held that coercive package licensing of patents is a violation of the antitrust laws (*Hazeltine v. Zenith*, supra). While Petitioners urged the antitrust violation below, the subject cases are now seen by Petitioners as being of wider public interest and as having a greater impact on the economic life of the country than was heretofore thought to be the case for they are now seen to involve not only violations of the public policies underlying the patent laws and the antitrust laws, but also to present for the first time to this Court the question as to whether coercive package licensing is a *per se* violation of the antitrust laws.

As to the second new question the perception of this question came about by way of the *Rocform* case decision. This decision was not published until December 21, 1964.

Only after study by counsel for Petitioners of the *Rocform* decision, wherein the Court equated "coercion" with the "mandatory" aspect of a package licensing policy, did it become apparent as to what was the basic nub of distinction between the Third Circuit holding in *American Securit Co. v. Shatterproof Glass Corp.*, 268 F.2d 729, cert. denied 361 U.S. 902, rehearing denied 361 U.S. 973, of patent misuse based upon the existence of a mandatory package licensing policy and the Ninth Circuit holding in the subject cases of no misuse despite the existence of a mandatory package licensing policy.

CONCLUSION

The decisions in the *Hazeltine* and *Rocform* cases show the current public interest in and the importance of the problem of mandatory package licensing of patents. These cases indicate that the mandatory package licensing practice is favored by patent licensors and will continue to be used as long as any Court permits it. The conflict between the Third and Ninth Circuits on this problem should be resolved by this Court.

Respectfully submitted,

FRANK A. NEAL,

Counsel for Petitioners.

CERTIFICATE OF COUNSEL

I hereby certify that the foregoing Petition for Rehearing is presented in good faith and not for delay and is restricted to grounds specified in Rule 58 of the Rules of this Court.

FRANK A. NEAL,

Counsel for Petitioners.

(Appendices A, B and C Follow)

Appendix A

In the United States District Court
Northern District of Illinois
Eastern Division

Hazeltine Research, Inc., Plaintiff, vs. Zenith Radio Corporation, Defendant.	Civil Action No. 59-C-1847

FINDINGS OF FACT AND CONCLUSIONS OF LAW WITH RESPECT TO THE ANTITRUST ISSUES RAISED IN THE ANSWER AND COUNTERCLAIM.

Pursuant to Rule 52(a) of the Federal Rules of Civil Procedure, the court hereby makes the following findings of fact and conclusions of law:

[*Antitrust Issues*]

I. The antitrust issues raised in the answer to this patent infringement suit and in the counterclaim for damages and injunctive relief were separately tried following the trial of the patent issues. Defendant in its answer asserted the affirmative defense that plaintiff was misusing its patents, including the patent in suit, in violation

of public policy and the Sherman Act (15 U.S.C. §§ 1 and 2) and that it, therefore, came into this court with unclean hands and is therefore barred from receiving any relief in this action. Defendant also filed a counterclaim for damages and injunctive relief pursuant to Rule 13(a) of the Federal Rules of Civil Procedure, Sections 1 and 2 of the Sherman Act (15 U.S.C. §§ 1, 2) and Sections 4 and 16 of the Clayton Act (15 U.S.C. §§ 15, 26).

II. Defendant-Counterclaimant Zenith Radio Corporation, is a corporation organized and existing under the laws of the State of Delaware with its principal place of business located at 6001 W. Dickens Avenue, Chicago, Illinois, and is now and has been continuously for more than 43 years last past engaged in the development for sale and use and in the manufacture, sale and use of radio apparatus and receiving sets, and since the advent of television, television receiving sets throughout th United States and in foreign commerce, and during said period has built up a large volume of business in manufacturing and selling as the demand therefore has existed and will continue to exist, and in the shipment and sale of such apparatus in commerce between the various states of the United States and in foreign commerce, and said counter-claimant is now and has been engaged in said commerce during all of the period above stated and during all times material to this counterclaim.

[*Patent Holding Company*]

III. Counterdefendant, Hazeltine Research, Inc., the party plaintiff in this suit, is an Illinois corporation owned and operated as a wholly owned subsidiary of

Hazeltine Corporation, a New York corporation, engaged in the manufacture and sale of electronic equipment and devices. The parties stipulated that for the purposes of this litigation Hazeltine Research, Inc. and its parent, Hazeltine Corporation, would be considered as one entity operating as a patent holding and licensing company, engaged in the exploitation of patent rights in the electronics industry in the United States and in foreign countries. The gross income of the Hazeltine enterprises approximates $47,000,000 per year.

IV. For many years plaintiff has accumulated a large number of patents, domestic and foreign, for use in its patent licensing business in the electronics industry. At the time of the filing of this suit Hazeltine had over five hundred patents and patent applications in its licensing portfolio.

[*Package Licensing*]

V. Plaintiff's policy in licensing electronics manufacturers in the United States was to grant a so-called standard package license which conferred on the licensees for a five-year period freedom from any charge of infringement under all present as well as future Hazeltine patents issuing during the term of the agreement. Royalties were required to be paid on the licensee's entire production whether its products employed any or none of the Hazeltine patents. The license was in effect a covenant not to sue the licensee or its customers should Hazeltine decide within the license period that the manufacture and sale of any particular apparatus infringed upon any of its patent rights.

VI. Hazeltine filed numerous patent infringement suits against manufacturers who refused to sign its license agreement.

VII. Prior to the instant controversy, Zenith had the standard Hazeltine package license and in May of 1959, toward the close of the last five-year license period, Hazeltine requested that the license be renewed for another five-year period at the then package rate of $50,000 per year. Zenith refused, contending that it did not require a license under any of the patents in the package and Hazeltine countered by asserting that Zenith was infringing at least four of the Hazeltine patents in the manufacture and sale of monochrome television receivers (at that time Zenith was not manufacturing color receivers). At the same time Hazeltine made an alternative proposal to Zenith, offering to grant a monochrome license in accordance with the following formula:

Any one patent in the package would be licensed at 50% of the royalty rate for the entire package of over 500 patents and patent applications. Any two patents would be licensed at 80% of the package rate. Any three or more patents would be licensed at 100% of the package rate. Hazeltine reserved the right to sue for infringement of any patent not licensed. All licenses would otherwise be subject to all the terms and conditions of the standard package form of license and would require payment of royalties on all production during the five-year term of the license irrespective of whether any patent was employed or not. The license would not cover color television receivers.

Zenith refused to sign either of the proposed agreements and on November 20, 1959 the instant suit was filed.

VIII. With the suit or file and at issue, Hazeltine continued its attempt to persuade Zenith to sign the package license. During the course of discovery proceedings Hazeltine informed Zenith that in addition to the patent in suit, Zenith was infringing at least 9 designated Hazeltine patents and applications in the manufacture and sale of its color television receivers. The old form of standard package license under all the Hazeltine patents was again tendered to Zenith for signature and Zenith again refused to sign it.

IX. On April 11, 1962, Hazeltine submitted to Zenith a license proposal for color television which provided an annual royalty rate of $435,000 merely for the 9 patents asserted and an annual rate of $500,000 for a license under all of Hazeltine's patents and patent applications for color television. However, if the standard package license covering all of Hazeltine's patents, for monochrome as well as color, were signed, the maximum royalty rate would be $150,000, the same as the rate in the Hazeltine-RCA package license (later raised to $200,000). Zenith refused these proposals on the grounds that they were obviously designed to force Zenith to take the package license which it did not want or need; that Zenith could not place itself at a competitive disadvantage by taking a license under only 9 patents at $435,000 a year rather than signing the package license containing all Hazeltine patents at the package rate of $150,000 per year.

[*Alternative Package Arrangements*]

X. Hazeltine continued its efforts to persuade Zenith to sign the standard package license before this case could be brought to trial. In March 1963, as the case approached the final pre-trial conference, Hazeltine made the following proposal to Zenith:

It grouped together the nine patents and one application which were claimed by Hazeltine to be employed in the manufacture of Zenith color receivers. It placed a maximum royalty on this package of $275,000 per year but for color receivers only. For the entire package containing all of Hazeltine's then existing patents for color television, an annual maximum of $300,000 was set and for all present as well as future patents issued during the license period an annual maximum of $310,000 was demanded for color television alone.

In this same license proposal, Hazeltine offered its entire package of present and future patents, unspecified, for both monochrome as well as color receivers for an annual maximum of $200,000.

Under this proposal, a license could be taken, if desired, under only two of the ten patents asserted against Zenith's color receiver but it would bear an annual maximum royalty in excess of $200,000 and would license only color receiver production, whereas the entire package of over 500 patents and applications for both monochrome as well as color receivers would bear an annual maximum of $200,000. This proposal was obviously designed to persuade Zenith to sign the standard package license agreement which it was unwilling to do and presented to Zenith management the following alternatives:

1. Endure trials and possibly appeals on at least nine patents at a total estimated cost of over one million dollars, plus damages in the event any or all of the suits were lost.

2. Take a license under the package of ten patents and applications at a cost of $275,000 per year for color television, or a license under the entire package of existing Hazeltine patents for color television at a cost of $300,000 per year, or at a cost of $310,000 per year a license covering existing and future patents of Hazeltine for color television for a five-year period. In each case Zenith would be obliged to make the royalty payment whether any of the patents licensed was used or not in Zenith's color receiver. This would still leave Zenith's entire monochrome production open to continuous attack by Hazeltine, and plaintiff's counsel had already claimed that Zenith's monochrome receiver infringed at least three patents in addition to the patent in suit.

3. Take a license for color television under two patents selected from the package of ten and pay over $200,000 per year, but this would expose Zenith's color production to the assertion of any or all of the color patents not licensed and would subject its entire monochrome production to the assertion of any of the hundreds of patents in the Hazeltine package.

4. Take the standard package license under all patents and patent applications of Hazeltine, present and future, for both monochrome and color television at an annual maximum of $200,000 per year. Over a five-year license period it would cost $500,000 to $550,000 more for a license under the small group of ten patents for color television

alone than for the entire Hazeltine package covering over 500 patents and applications for monochrome as well as color television. In addition, the full package license would remove the risks of further protracted and expensive litigation or harassment whereas the more expensive license under less than the entire package would leave Zenith and its customers exposed to renewed charges of infringement based on any or all of the remaining hundreds of existing Hazeltine patents as well as all patents issuing during the term of the license. The only practical answer would be to accede to Hazeltine's demand and accept a full package license.

[*Economic Coercion*]

XI. Plaintiff's offer to license any one of its hundreds of patents for monochrome at 50% of the package rate, any two at 80% of that rate and any three or more at the full package rate was an attempt by economic coercion to force the taking of the package. This is clear from the fact that plaintiff had asserted that Zenith was infringing at least 4 patents in its monochrome receivers. Moreover, the reward demanded by plaintiff for a license under less than the full package of patents is in no way related to the quality of the patents since the price is determined solely by the number of patents chosen and most of the patents in the package are characterized by Hazeltine itself as "insignificant."

XII. In all of its proposals to Zenith, Hazeltine insisted as an alternative to litigation that Zenith for a period of five years pay royalties in large sums based on its entire production of receivers whether or not any

Hazeltine patent was employed in any way in its products. Plaintiff thus insists that royalties be paid on admittedly unpatented apparatus.

[*Damages*]

XIII. As of the date the trial began Defendant had been injured in its business and property as the proximate result of the acts and demands of Hazeltine, referred to above, in the amount of $50,065. Defendant has been forced to make expenditures of money and to use the time of its officers, employees, and counsel to defend against this patent infringement suit and by virtue of Hazeltine's threats of suits on other patents, defendant has been forced to expend substantial amounts of money to investigate the scope and validity of the patents asserted. The injury to Zenith's business was occasioned by the necessity that defendant make a choice among alternatives each of which had an adverse economic effect on its business. It was forced either to cease manufacturing and selling its television receivers, pay tribute with consequent increase in its costs or incur the expenses incident to the defense of protracted patent litigation. Although defendant's choice determined the nature and amount of the resulting damages, it was the necessity of having to choose that occasioned the injury.

XIV. In its counterclaim Zenith also seeks damages and injunctive relief based on plaintiff's conspiratorial activities with foreign cartels or patent pools in England, Canada and Australia which have curtailed Zenith's export business.

The British Patent Pool

XV. The dominant radio and electronics companies in Great Britain set up the British Patent Pool into which flow thousands of patents owned or controlled by the members and those affiliated with them in the plan. Among these companies are Electric & Musical Industries Ltd., General Electric Company, Ltd., Marconi's Wireless Telegraph Co. Ltd., Philips Electrical Ltd., Pye Ltd., Murphy Radio Ltd., Rank Cintel Ltd., Standard Telephone & Cables Ltd., Gramophone Co. Ltd., E. K. Cole Ltd. and Cossor Ltd. The Hazeltine inventions and patents have been funneled into the Pool pursuant to an agreement with General Electric Co. Ltd. and the share of the Pool's income allocated to these patents is split between General Electric Co. Ltd. and Hazeltine. Pursuant to this arrangement British inventions controlled by General Electric Co. Ltd. are licensed to Hazeltine for exclusive licensing use in its American territory and are included in its United States package licensing activities. The Hazeltine-General Electric Co. Ltd. exclusive agreements were specifically devised to get the Hazeltine patents into the British Patent Pool in a manner which would provide for G. E. C. maximum bargaining power vis-a-vis the other Pool members on the division of the Pool income.

[*Restrictions on U. S. Exports*]

XVI. Pursuant to these arrangements, General Electric Co. Ltd. on its own behalf and on behalf of Hazeltine entered into successive pooling arrangements with the

other members of the British Pool wherein and whereby it was agreed that the Hazeltine patents along with the patents of all of the Pool members be licensed in the territory of Great Britain solely by the Pool and on terms and conditions determined by the members of the Pool. Each of the participating parties in all of the interrelated agreements, including Hazeltine by virtue of the exclusivity of its joint arrangements with General Electric Co. Ltd., contractually pledged that during the period of the agreements no license would be issued that would permit the export of radio and television receivers from the United States into the British market and that the only license employed by the Pool would be a standard package license limited to local manufacture. Hazeltine has been participating in this plan and arrangement since 1938, is currently participating in it and intends to continue its participation.

XVII. Hazeltine has had full knowledge of the various interrelated agreements under which the Pool operates and has operated and of the purpose and effect of the plan which is to protect the British manufacturers in the Pool against competition from television receivers made in the United States and other countries. Hazeltine contends that it has entered into these arrangements because in that manner it can obtain more income from its English patent properties than it could through its own individual effort.

[Licensing by the Pool]

XVIII. The Pool has always issued one form of license which, like the Hazeltine package license in the

United States, covers all of the patents in the pool and requires payment of royalties on all of the licensees' production whether or not any of the patents are employed. The effect of this plan is to amass all of the patents for assertion against anyone not licensed, to prevent importers or foreign manufacturers from entering the market and to preclude the possibility of any attack by the licensees on the validity of any one patent.

[*Policy of the Pool*]

XIX. The policy of the Pool was early stated to be to cooperate in the division of territories provided by the plan and "not knowingly [to] assist any [American] company to sell in England under the protection" of the Pool patents apparatus manufactured in the United States and not licensed under the patents of the Pool's American participants. RCA and General Electric, like Hazeltine, for many years participated in the British Pool. However, as the result of antitrust litigation brought by Zenith and by the Government, RCA and General Electric were forced to cease their participation in the plan.

XX. Initially the strength of the Pool was drawn from patents on radio receivers and with the advent of television, the power of the Pool became greater than ever. Color television is the most recent innovation in the home entertainment field and Hazeltine has now become an even more important factor in the British combination because of its color television patents which Hazeltine contends has given it a "dominating position" in the color television field.

[*Exclusion of Imports*]

XXI. For years Zenith made every effort to export home receivers to distributors and dealers in the English market. On each occasion, however, the Pool threatened its distributors until they ceased buying Zenith products and no substantial trade outlets could be found which would risk handling the line since the Pool would not license the sale of imported merchandise.

XXII. As a part of the settlement of antitrust litigation brought against RCA, General Electric and Western Electric, Zenith was in 1957 granted royalty-free world-wide rights under the inventions and patents of these companies and began to ship radios to the British market. The Pool could not assert any of these rights to prevent importation and since all basic radio patents have expired, Zenith has been able for the first time to export to and sell its radio receivers in the English market. This is not true of television apparatus however. The Pool is armed with thousands of patents from the Pool members including the British counterparts of patents asserted by Hazeltine against Zenith in the United States. Zenith has been constrained from entering the British television market by the threat of the assertion against it of pooled patents, although Zenith has successfully engineered sets for the British market and has shipped some to its English distributor with the hope that the injunctive relief sought in this suit would be granted and business on a commercial scale could be conducted.

XXIII. The manufacture in the United States of receivers for sale to exporters here or directly to importers

in England (or in Canada and Australia where corresponding patent pools are operating) would risk further charges by Hazeltine of infringement of the United States patents asserted against Zenith here and Hazeltine, by virtue of its exclusive arrangements with the English companies, is contractually unable to grant a license to manufacture in the United States for export to and sale in England under the British counterparts of its domestic patents. Hazeltine's United States package license expressly states, in compliance with the restrictions involved in the pooling arrangements, that no license is granted under any patent rights of countries foreign to the United States.

XXIV. Hazeltine has always told its licensees in the United States that as a matter of policy it would never collect a second royalty on sets exported to foreign countries "where Hazeltine had complete control over its patent situation" but that with respect to England, Canada, Australia and New Zealand, where Hazeltine patents are included in an industry-wide pool, the American licensees would have to make their own arrangements with such Pools.

The Patent Pool in Canada

XXV. The patent pool existing in Canada is called Canadian Radio Patents Limited. This organization was formed in 1926 by the General Electric Company of the United States through its subsidiary, Canadian General Electric Co. and by Westinghouse, through its subsidiary, Canadian Westinghouse. The shareholders of Canadian Radio Patents Limited are Canadian General Electric, Canadian Westinghouse, Standard Radio Mfg. Corp. Ltd.,

the Canadian subsidiary of Philips of Holland, Canadian Marconi and Northern Electric (an affiliate of AT&T and Western Electric). The Pool has been largely made up of Canadian manufacturers (most of which are subsidiaries of American companies) who were and are competitors of Zenith with respect to sales sought to be made in Canada. The Pool for many years has had the exclusive right to sub-license not only the patents of the member companies but also the patents of Hazeltine, RCA and a number of other foreign companies. Since 1943 Hazeltine has been an active participant in the activities of the Pool and has been receiving a substantial share of its profits. The Hazeltine patents go into the pool pursuant to an exclusive license agreement between Hazeltine and Canadian Radio Patents Limited which grants to the Pool the right to include Hazeltine Canadian patents, present and future, in its licensing and litigation activities. This arrangement has been extended to a date beyond the filing of the instant counterclaim.

[*Organization, Purposes and Functions*]

XXVI. The organization, purposes, and functions of the Canadian Pool are, in principle, identical to those of the English Pool. Approximately 5600 patents are amassed for licensing and the only form of license available is strictly limited to manufacture in Canada. It is also a package license under all patents in the Pool and all patents issuing during the term of the license. The chief purpose of the Pool is to protect the manufacturing members and licensees from competition by American or other foreign companies seeking to export their product into Canada.

[Exclusion of Imports]

XXVII. The Pool's campaign against importation of radio and television receivers from the United States is highly organized and effective. Patent agents, investigators and agents of the conspiring companies as well as the Canadian manufacturers and distributors trade associations at the behest of the Pool have systematically policed the market in order to locate and stop the sale of imported receivers and have immediately attacked by infringement suit or threat thereof any dealer found to be selling imported receivers. Warning notices addressed to importers, vendors and users of radio and television receivers advise the trade and the public that only the products of certain named local manufacturers are licensed by the Pool under "basic patents" and that even "users" of unlicensed products are subject to suit on account of patent infringement. Many advertisements run by the Pool went much further. They contained disparaging statements about imported receivers to the effect that they were cheaply made, unsatisfactory in operation, caused fires and were dangerous to use because of "shock hazard."

XXVIII. Mass attacks in the form of infringement suits were made on dealers found to be selling imported American made radio and television receivers. Suits or the threat of suits effectively prevented dealers from handling American made sets.

XXIX. For many years Zenith attempted to set up distribution for its products in Canada but in every instance where a Canadian distributor began to sell Zenith products he was warned by the Pool to stop and return

the merchandise or face expensive infringement litigation. To ward off these attacks Zenith attempted to get a license from the Pool, but in every instance it was advised by the Pool manager that importation would not be permitted and, only local manufacture would be licensed.

XXX. As a part of the settlement in the Zenith litigation against RCA, General Electric and Western Electric which involved the activities of the Canadian patent pool, Zenith obtained world-wide rights under the patents of the defendants and having obtained these and other patent licenses permitting importation into Canada, Zenith began late in 1958 to export to and sell in Canada its radio and television products through its Canadian subsidiary, Zenith Radio Corporation of Canada. The manager of the Pool, Brian McConnell, investigated the matter and informed Zenith that in order to continue this business in Canada, Zenith would be required to sign the Pool's standard package license which did not permit importation and that Zenith would have to manufacture in Canada any products it intended to sell there. The Pool manager further informed Zenith that it was infringing at least one of Hazeltine's Canadian patents and that Hazeltine's patents, as well as all of the other patents in the Pool, with the exception of those owned by Westinghouse and General Electric Company, could not be licensed for importation. With respect to the latter two companies, McConnell stated that they had instructed the Pool not to refuse to license their patents for importation. The notices to "importers, vendors or users of radio and television receivers" warning them not to purchase imported sets continued to be run by the Pool despite

protests by Zenith. Shortly after the aforesaid demand made on Zenith by the manager of the Canadian Pool, the instant suit was filed.

XXXI. Hazeltine before entering into its exclusive arrangement was fully aware of the purpose and the policy of the Pool to prevent the export of American-made receivers into Canada and has worked very closely with Canadian Radio Patents Limited in its licensing activities and its campaign against importation from the United States.

[*Effect of Canadian Law*]

XXXII. The proofs establish as a fact that in the circumstances of this case the Canadian Patent Act does not require the Pool to refuse to license importation, as contended by plaintiff. Nor does the Act penalize in any way a patentee who licenses for importation where, as in this case, there is being carried on extensive manufacturing in Canada under its patents.

The Australian Pool.

XXXIII. The dominant electronics company in Australia and its controlled territory is and for many years has been Amalgamated Wireless (A'sia) Limited (referred to as AWA). A number of the same companies involved in the English and Canadian cartel arrangements set up a patent pool in Australia identical in principle and purpose to the British and Canadian Pools. The patents of all of the conspiring companies funnel into the Pool which is known as Australian Radio Technical Services and Patents Company Pty. Limited (commonly called ARTS.) The patents flow into ARTS through AWA,

Standard Telephone and Cables Pty. Ltd., N. V. Philips Gloeilampenfabrieken, Electric and Musical Industries Ltd. (owning Marconi's and other rights for Australia), Pye Ltd. and Neutrodyne Proprietary Limited. Neutrodyne is a controlled subsidiary of Hazeltine; the latter company owns seventy percent of its stock.

XXXIV. Under an exclusive license agreement dated September 11, 1928, but still in full force and effect, Neutrodyne is authorized to place all inventions and patents of Hazeltine into the Australian Pool and is required to see to it that all of the requirements, restrictions and provisions of the standard package license of Hazeltine are contained in any pooling license issued thereunder. Sub-licensing rights, existing and future, under all of Hazeltine's inventions have been granted the Australian Pool under this arrangement for 35 years and have been the subject of the only form of license agreement issued by the Pool, a standard package license not referring to any particular patent or invention but to all of the rights of all the conspiring companies. A standard Pool license imposes the restrictions necessary to effectuate the division of territories involved in the overall arrangements. It requires the licensee to agree not to export or import or sell or offer for sale in Australia any radio or television receiving apparatus not manufactured in Australia. Hazeltine has been fully aware of the Pool's plan and policy not to license for importation and has cooperated with and approved the operation of the Pool with respect to all the Hazeltine Australian patents.

XXXV. The standard package form of Hazeltine license covering all patents subject to licensing by the Pool

and requiring royalty payment whether or not any such patent is used in the licensed apparatus, is employed by each Pool referred to in these findings and is also used by Hazeltine in the United States in order to prevent attacks by licensees on any of the patents of the participating companies in any of the markets covered by these findings.

Damages Sustained by Zenith

XXXVI. The foreign commerce of Zenith has been drastically curtailed by the patent Pools in England, Canada and Australia. The damages Zenith has sustained were estimated by experienced officials of Zenith, thoroughly familiar with the business problems and sales potentials in the markets involved. They determined the approximate damages sustained by a thorough study of each of the markets involved and all relevant factors including tariffs, shipping costs and manufacturing problems. Zenith's foreign commerce has been damaged by the Pools in the following amounts during the 4-year statutory damage period:

Canada	
Television	$ 5,826,896
Radio	470,495
England	
Television	8,079,859
Radio	1,169,067
Australia	
Television	625,786
Radio	66,769
Total	$16,238,872

Conclusions of Law

1. The court has jurisdiction to determine the anti-trust issues under the provisions of the Act of Congress approved July 2, 1890, entitled "An Act To Protect Trade and Commerce Against Unlawful Restraints and Monopolies," commonly known as the Sherman Act.

[*Packaging Licensing*]

2. Plaintiff's demands on defendant coupled with the bringing of this suit and the threat to bring other suits on other patents constitute an illegal effort to coerce Defendant into signing the Hazeltine package license.

3. The policy of plaintiff, reflected in the demands made on defendant and action taken against it, was to grant no license unless under all of its hundreds of patents for a fixed royalty, is one of unlawful coercion contrary to public policy.

4. The reward sought by plaintiff from defendant for inventions to be licensed in no way related to the quality of the individual patents and under the package license each patent drew strength from the others, thus unlawfully extending the monopoly of each.

5. Plaintiffs' offer to license its patents individually but at royalty rates far in excess of the package rate was never an alternative to its controlling policy to grant defendant a license only under all of its patents. Rather, it was proposed by Hazeltine in the later stages of its negotiations in the instant case to cloak the harshness of the original demand by seemingly meeting the request of defendant in that regard. Although it may be said

that the Hazeltine proposals on the surface were offers to treat of individual patents, the design was quite apparent —to force by unlawful coercion the acceptance of unwanted patents. This constituted an illegal extension of the patent monopolies. Whatever may be the asserted reason or attempted justification of Hazeltine, its efforts to compel defendant to accept a package of patents involved the use of one patent or group of patents as a lever to compel the acceptance of a license under others. Such a licensing scheme under applicable decisions of The Supreme Court is illegal and constitutes a misuse of the patents involved.

VI. There is a further feature of Plaintiff's licensing practices that in and of itself constitutes an illegal attempt to extend the patent monopolies. The license agreement, whether it be under a single patent or under Hazeltine's entire patent package, requires the payment of royalties in large sums for a period of five years on the entire production of the licensee whether or not any licensed patent is employed in any way in the licensee's products. Plaintiff's demands that royalties be paid on admittedly unpatented apparatus constitute misuse of its patent rights and plaintiff cannot justify such use of the monopolies of its patents, by arguing the necessities and convenience to it of such a policy. While parties in an arms-length transaction are free to select any royalty base that may suit their mutual convenience, a patentee has no right to demand or force the payment of royalties on unpatented products.

VII. The defense of misuse asserted by defendant is a valid one.

The Patent Pools

VIII. Every act in furtherance of a general plan to restrain trade and commerce, foreign or domestic, in violation of the Sherman Act, is illegal regardless of whether such act or acts when standing alone and absent conspiracy could be found to be legal.

[*Conspiracy*]

IX. It is fundamental that an unlawful conspiracy may be and often is formed without simultaneous action or agreement on the part of conspirators. Acceptance of an invitation to participate in a plan, the necessary consequence of which, if carried out, is to restrain commerce, is sufficient to establish a conspiracy under the Sherman Act. Knowledge of a scheme that illegally restrains trade and participation in the plan with such knowledge is all that is required to establish a conspiracy under the anti-trust laws and prior agreements need not be shown to have been made between each and all of the conspirators in order to establish a violation of the Sherman Act.

[*Purpose of Pools*]

X. The combinations represented by the patent pools in Canada, England and Australia had as their express purpose the prevention of importation into those markets of radio and television apparatus made in the United States and other countries. Hazeltine knowing of the restrictions against imports imposed by those Pools nevertheless chose to permit its patents to be used in furtherance of the scheme and thereby obtained a substantial share of the Pool's income. It thereby became a co-

conspirator and legally liable for all the acts of the Pools and its members performed in furtherance of their patent licensing plan to divide markets and prevent competition from imported sets.

XI. Hazeltine's method of placing its patents in the foreign pools—the use of exclusive license agreements either directly with the Pool as in Canada or through a pool member, as in England, or through a subsidiary, as in Australia—is the traditional means employed in the formation of illegal cartels and it is no defense to say that the particular exclusive licenses to which Hazeltine was a party did not in and of themselves impose the illegal restriction. The character and effect of a conspiracy are not to be judged by dismembering it and viewing its separate parts but only by looking at it as a whole.

[*Intent*]

XII. Hazeltine's defense that it had no intent to restrain trade and that it participated in the Pools for business reason has no legal validity. If good business reasons and expressions of good intent would serve as a defense for restraining trade, the Sherman Act would be rendered impotent and would afford no aid to the free flow of commerce.

[*Applicability of Sherman Act*]

XIII. Hazeltine's claimed defense that conspiracies by American companies with companies abroad are governed solely by foreign law and are not violative of the Sherman Act has no legal validity. It is well established that a conspiracy to restrain the domestic or foreign commerce

of the United States to which any American company is a party violates the Sherman Act irrespective of the fact that the conduct complained of occurs in whole or in part in foreign countries.

XIV. By virtue of its arrangements in connection with the Pools in Canada, England and Australia, Hazeltine has violated Section I of the Sherman Act.

XV. Counterclaimant has established that it has been injured in its business by virtue of the unlawful conspiracy and acts performed in furtherance thereof. As a co-conspirator Hazeltine is liable for those damages.

XVI. Counterclaimant is entitled to the injunctive relief sought in the counterclaim.

/s/ R. B. Austin,
United States District Judge.

Appendix B

District Court, E. D. Michigan, S. Div.

Roeform Corporation v. Acitelli-Standard Concrete Wall, Inc.

No. 22739 Decided June 25, 1964

Machrowicz, District Judge.

This is an action for infringement of a patent on a "Prefabricated Wall Form" used for casting concrete walls.

Defendant filed an answer, denying validity of the patent and its infringement, as well as a counterclaim for damages, charging violations of antitrust laws and misuse of the patent in suit. The claim for affirmative relief based on alleged violations of antitrust laws was later withdrawn and the claim of misuse of the patent was asserted as an additional defense.

In the course of pre-trial hearings counsel agreed to a trial on the issue of misuse only, the remaining issues to be presented in a second phase of the trial if the Court finds that there was no misuse of the patent.

A trial was had on the issue of misuse of the patent. Defendant stipulated, for the purpose of this phase of the trial only, that the Court may assume plaintiff has established a prima facie case of validity and infringement so that defendant could proceed immediately with proofs on the defense of misuse. Both sides presented evidence on this issue.

Findings of Fact

1. Plaintiff, Rocform Corporation, is a Michigan Corporation with a principal place of business in Oak Park, Oakland County, Michigan.

2. Defendant Acitelli-Standard Wall, Inc., is a Michigan Corporation with a regular and established place of business in Detroit, Michigan.

3. Plaintiff is a manufacturer of equipment and supplies for use in pouring concrete walls. It is the owner of certain combination patents, including the patent in suit, relating to forms for pouring concrete walls.

4. The patent in suit, No. 2,526,529, issued on October 17, 1950, is a combination patent for a "Prefabricated Wall Form". The form consists of wood panels connected together edge to edge by means of suitable clamps. The panels are assembled together into two parallel walls. Concrete is poured between these walls and allowed to harden or set, the clamps are then released and removed, the panels are disassembled, and the form is ready for re use in casting another wall.

The invention is described in the patent as a collapsible wall form composed of relatively few simple parts capable of being readily erected and disassembled with a minimum amount of labor; the sections are releasably secured in assembled relationship by devices exceedingly simple to manipulate and which cooperate to securely hold the sections in proper relationship during pouring or introduction of the composition material therebetween.

5. The wall form or claimed combination of the patent in suit is an assembly of the following elements:

(1) Wall sections or panels with (2) attached walers (horizontal metal reinforcing strips secured to the panels) with the panels secured edge to edge by (3) clamps having slidable parts which engage (4) pins on the panel to form two parallel wall forms between which the concrete is poured and (5) tie rods, held together by (6) tie rod clips, extending between the wall forms to space the parallel walls.

6. All patents issued to plaintiff, in addition to the patent in suit, were introduced in evidence by defendant, one issued prior to and nine others after the date of issuance of the patent in suit. Artil Arrighini, plaintiff's president, is patentee or co-patentee in all but one of plaintiff's patents. The patent in suit is cited as a reference in the patents hereinafter described which are identified by an asterisk.

Patent No. 2,251,775, which expired in 1957, is for a "Concrete Form", sufficiently economical and flexible in design to allow its use in all types of building projects, to pour concrete footings and wall sections in one operation. It comprises a plurality of light-weight sections capable of being readily joined together in the field. This patent is cited as a reference in the patent in suit. It is apparent from an examination of this patent and the one in suit that both cover a basic wall form but that the one covered by the patent in suit is superior to the form patented earlier. The earlier invention also rendered it possible to pour concrete footings and wall sections in one operation to form an integral one-piece construction.

Patent No. 2,511,829, issued on June 20, 1950, is for a "Form for Composite Walls having a Sill" and is cited

as a reference in *Patent No. 2,845,684* for a "Prefabricated Form with Sill Member", described in the patent as an improvement in the means for forming an offset or sill. At the present time devices of these two patents are not being used by plaintiff.

Patent No. 2,727,294 * is for a "Wall Form and Clamping Means Therefor" which holds the walls of the basic wall forms in a predetermined spaced relationship during the pouring operation and, in order to give the joined wall sections a smooth and uninterrupted surface, holds such adjacent sections in alignment or in edge to edge relationship.

Patent No. 2,896,300 *, issued on July 28, 1959, is for an "Outside Corner Clamp for Prefabricated Wall Forms". This invention provides clamps which define corners of the angularly related panels of the wall form and prevent possibility of spreading of the panels during pouring operations. The specific device disclosed in this patent is not presently used because of an improvement over such device.

Patent No. 2,789,337 *, issued April 23, 1957, is for an "Inside Corner Structure for Prefabricated Forms for Composition Walls" and relates to improvements in the structure provided to form corners of the composition wall. While this patent was issued earlier than Patent No. 2,896,300, application therefor was filed earlier.

Patent No. 2,882,583 * for a "Prefabricated Form for Composition Walls" was issued on April 21, 1959. The basic wall form covered by the patent in suit includes panels with walers attached thereto. This invention provides for a construction of the walers and for use of

stirrup pins and a brace therewith in an arrangement so that the brace assists in supporting the load applied to the panels by the composition material during pouring operations, and at the same time, supplies a catwalk for the workmen.

Patent No. 2,960,743 issued on November 22, 1960 is for a "Concrete Wall Form Construction and Adapter Clip Therefor" and relates to a device called an adapter clip which enables varying spacing between the panels of the basic wall form in order to produce concrete wall structures of different widths.

Patent No. 2,944,344, issued on July 12, 1960, is for a "Cork Tool" used for filling holes left by tie rods in the poured wall after stripping of the wall and removal of the tie rods.

Patent No. 2,751,308 is for cement paint.

7. In 1952 plaintiff initiated a licensing program for use of its so-called "Rocform System" which it describes in its standard licensing agreement as "a system of prefabricated composite wall forms and patented hardware and accessories used for the construction and erection of concrete walls and structures". The same description is used in advertising for promotion of the Rocform System and is found in answers to interrogatories submitted by defendant requesting that plaintiff describe the Rocform System in detail.

8. Under provisions of the license agreement,

> Licensor grants to licensee a non-exclusive license to use the Rocform System in accordance with terms thereof, agrees while the agreement is in effect to sell

to licensee all necessary Rocform panels and hardware and to replace and repair without charge worn out or damaged hardware, and authorizes use of the words "Rocform System" in promotion and advertising;

Licensee agrees to pay for the equipment and to pay a license fee for each basement he casts (license fees vary from approximately $10.00 to $25.00 per basement cast, depending on size);

It is acknowledged and agreed that "certain features, hardware and accessories used in and being a part of the Rocform System" are covered by patents and licensor stipulates that any further improvement in the system shall be available to licensee for use under the agreement;

The agreement and license is revoked, remanded and terminated upon default in payments or in any condition imposed by the license on use of the system.

9. At the present time approximately one hundred eighty-nine (189) licenses use the Rocform System in Michigan and other states; all such licenses were granted to those engaged in the business of constructing concrete walls or who were about to enter upon such business at the time of the license grant.

10. Plaintiff manufactures for and sells and delivers to licensees only, but not in the regular channels of trade, equipment necessary for operating under the Rocform System, recommending or suggesting to a licensee purchase of a "package" or kit suitable for the type of construction in which the contractor-licensee is engaged. Such

"packages", sometimes called "Alternates A, B, C, or D", include the same parts but the quantity of each varies for casting larger or smaller walls, and consist of elements of the combination patents for wall-forming equipment owned by plaintiff.

11. Specifically, a "package" consists of wood panels with walers, clamps for connecting the panels together edge to edge, tie rods for spacing and holding the paralled wall forms together, and tie rod pins for fastening the tie rods to the panels, all of which are elements of the patent in suit, as well as items which are not elements of this particular patent such as stirrup pins, outside corner clamps, inside corner clamps, round corner forms, clamps and spreaders, and tie rod pullers. Choice of items within a suggested or recommended "package" is left to the licensee. Under the license agreement plaintiff obligates himself to furnish all necessary equipment but licensees are not required to purchase any equipment from plaintiff. All of plaintiff's licensees, however, purchased "packages" although some omitted the wall panels.

12. While the license agreement does not obligate a licensee to purchase any equipment whatsoever but only imposes an obligation on licensor to furnish the equipment upon request, and while the "package" is merely a recommended purchase, all but a few licensees purchased full "packages".

13. Plaintiff will refuse to sell any of the wall-forming equipment to non-licensees. It sells to anyone, without requiring a license therefor, a variety of tools and supplies, such as its patented cement paint, window forms, concrete chutes, and similar items.

14. The only reference in the license agreement as to ownership of patents by plaintiff is the statement that "certain features, hardware and accessories" are patented. No patents are identified therein by number or description of the actual invention covered. Plaintiff has no single patent covering the entire Rocform System nor does it have a patent on a "system" or "method" as those terms are known to patent law. None of the individual elements of the claimed combination of the patent in suit are separately patented. The Rocform System cannot be used, however, without use of one or more of the inventions covered by plaintiff's combination patents, including the patent in suit.

15. Only the basic wall-form patents had been issued when the first seven licenses were granted in 1952. Plaintiff claims no rights under the one patent which expired in 1957, and presently uses the improved form covered by the patent in suit. An unused patent has been replaced by a patent for an improvement, and inventions under patents later than the patent in suit and now used by plaintiff are available to licensees who were granted licenses long before such patents were issued.

16. All but few of the licenses limit the territory within which a licensee may normally designate the territory within which he intends to operate. The territorial restrictions are not rigidly enforced at this time because poured wall contractors follow the general contractors with whom they work into areas in which the general contractor undertakes a construction project (R.185). Testimony of an interested witness hostile to plaintiff as to agreements by plaintiff, with licensors in several areas,

that it will not grant licenses in those areas without consent of other licensees therein is too remote in time to establish what the practice of plaintiff is today. Also, many licenses have been issued in those areas thereafter and this fact does not corroborate defendant's claim that this is plaintiff's policy at the present time.

17. Several other types of wall forms for pouring concrete walls are available to poured wall contractors, such as Symons, Simplex, Universal, Gates, Allen, and there may be others (R.102). Some of the manufacturers in competition with plaintiff do a considerably larger volume of business than plaintiff. These forms mentioned are sold outright and require no license for use but the evidence does not establish that such forms or parts thereof are patented.

18. A poured wall contractor not licensed to use the Rocform System is not prevented thereby from operating or continuing in business but incurs higher costs than a Rocform licensee. Rocform are speedily assembled and stripped, with a saving in labor costs, and eliminate other items of expense such as cost of snap ties ($60.00 to $70.00 per basement) used in another system (R.141). Use of Rocforms is, therefore, a competitive value to contractors in the trade.

19. Defendant is a poured wall contractor. Its president, Peter H. Acitelli, was plaintiff's licensee while operating as a poured wall contractor in his individual capacity. He later incorporated his business as Peter H. Acitelli, Inc., now in bankruptcy. Defendant corporation was organized in 1962 with Acitelli and the Standard Building Products Company as sole stockholders.

20. Defendant acquired most of its equipment from Benjamin Wilk, an officer of Standard Building Products Company. Wilk, as creditor holding a chattel mortgage on the equipment when it was owned by Peter H. Acitelli, Inc., acquired it upon foreclosure of the mortgage. Replacements are purchased by defendant from Kwik-lock Forms Company, plaintiff's competitor in the manufacture of wall-forming equipment. Kwik-lock's president, Frank G. Pauli, Jr., was formerly employed by plaintiff in an executive capacity and was thoroughly familiar with plaintiff's business operations, its licensing program, patent holdings and customers.

21. Within a short time after filing the instant suit plaintiff filed an action in the state court against Pauli and Kwik-lock alleging that said defendants, with knowledge of the provision in plaintiff's licenses for payment of fees, contacted plaintiff's licensees and induced them to repudiate their Rocform license agreements by purchasing Kwik-lock's hardware and thus avoiding payment of license fees under their license agreements. A preliminary injunction issued in that case restrains defendants therein from inducing any of plaintiff's licensees to violate their license agreements with plaintiff. Copies of pleadings in such action were introduced in evidence here and do not show that plaintiff is seeking in that action to restrain Kwik-lock from selling hardware in competition with plaintiff.

22. Plaintiff's standard form of license agreement contains a provision to the effect that the license is individual and personal to licensee, that it is not transferable, without licensor's written consent, and that it shall be used

only by license in the construction business operated by him within the area limited in the agreement.

23. Defendant at no time prior to filing of this suit applied for a license from plaintiff for use of the Rocform System; it was notified by plaintiff, however, that it cannot use the system without a license from plaintiff. Plaintiff offered to license defendant but only under its standard license agreement. Such offer was refused by defendant.

ISSUE

Did plaintiff, through its patent licensing program, misuse the patent-in-suit by attempting to extend the life and scope of its patent monopoly, beyond the boundaries of the patent grant?

DEFENDANT'S CHARGES OF MISUSE BY PLAINTIFF

Defendant contends that plaintiff attempted to and did extend its monopoly improperly and thus misused its patent in suit in the following ways, any one of which is sufficient to forfeit its right to enforce its patent in this infringement suit:

1. Plaintiff, through its patent licensing program, bottomed upon the only useful patent, the patent in suit, restricted competition between and among licensee contractors who use plaintiff's wall forming equipment and thus improperly restrained trade in the poured concrete wall industry.

2. The requirement in the licenses, bottomed on the only useful patent, the patent in suit, that royalties be paid forever, despite expiration from time to time

of certain of the licensed patents, is an improper extension of the monopoly beyond the statutory seventeen-year term of the patent.

3. Plaintiff's restrictions in the license, bottomed on the patent in suit, against the free use of panels and miscellaneous hardware which plaintiff itself had sold, is improper and an extension of the monopoly of the patent in suit, an attempt to control the use of goods already sold and passed from plaintiff's control.

4. The requirement that purchasers pay royalties on and restrict territories of use of plaintiff's unpatented panels and hardware as well as its patented combination, is improper as an attempt to control unpatented goods by the patent in suit.

5. Plaintiff's "package license" is improper since it uses the patent in suit as a lever to compel license under ten additional patents, extending the monopoly and continuing it beyond the life of the patent in suit.

6. Plaintiff's tie-in requirement in its licenses, bottomed on the patent in suit, that purchasers of plaintiff's unpatented panels and hardware accept a license under the patent in suit, is improper as an attempt to expand the monopoly of the patent in suit to cover unpatented goods.

7. Plaintiff's suit against Kwik-lock, an attempt to shut off defendant's source of unpatented replacement hardware, is improper as an attempt to monopolize the sale and purchase of unpatented parts, outside the patent in suit.

8. Including an already expired patent in its licenses, and attempting to force defendant to accept a license based on an expired, as well as on unused patents, is an attempt to continue the monopoly beyond the life of the expired patent, and beyond the scope of the unused patents.

9. Licensing and demanding royalties on the use of a "system or method", activities beyond the scope of the patent in suit, in an attempt to use the patent in suit in areas outside of its scope, a misuse in that it attempts to control activities outside the patent.

Prior to the trial of this case defendant filed a motion for summary judgment as to items originally sold by plaintiff to Peter H. Acitelli, and eventually purchased and used, by defendant, on the ground that the first sale of such equipment carried with it an implied license to use it and extinguished the patent monopoly as to such equipment. The motion was heard two (2) days before trial and taken under advisement. The same arguments are now also advanced at the trial in support of defendant's claims of misuse.

Discussion

Plaintiff's Suit Against Kwik-lock

Defendant's charges of misuse are directed primarily at plaintiff's licensing practice, except for the charge relating to plaintiff's suit against Kwik-lock, as an attempt to shut off defendant's source of replacement parts. Pleadings in that suit, offered in evidence here, indicate that the suit is not one to enjoin manufacture of any hardware but to prevent interference with plaintiff's contractual rela-

tions with its licensees. This defense of misuse has not been established.

Restriction of Licensees' Territory of Operation and Restraint of Trade in the Poured Wall Industry

The control of a patent monopoly carries with it the power to fix royalties for the reward of the patentee, and the patentee may even refuse to license. The patent monopoly can be used to compel acceptance of conditions attached to the enjoyment of the patented device. "Indeed, what conditions can be imposed by the patentees in the exercise of patent monopoly are limited, legal barriers aside, only by the ingenuity employed by the patentees in their attempts to obtain the maximum return for the use of their patented properties." American Securit Co. v. Shatterproof Glass Corp., 268 F.2d 769, 122 USPQ 167.

As owner of the patents for use of the combination in the patent in suit and its other combination patents which licensees were permitted to use, under the license agreement, plaintiff could limit the number of licensees in a certain area unless other legal barriers prohibited such restriction.

The findings of fact dispose of the claimed misuse of the patent by restricting areas in which a licensee may operate. In the findings of fact preceding this discussion, the Court found that there were other manufacturers of wall-pouring equipment, doing a larger volume of business than plaintiff, that non-licensee contractors could operate and continue in business using other types of forms than Rocforms, and that the restriction in question did not improperly restrain trade in the poured wall industry. Licensees, under the license agreement, were not restricted

in the price they may charge for their work, and were not restricted to use of the "Rocform System" but could use any type of wall-forming equipment they chose; if they used the Rocform System, however, they paid royalties. These claims of misuse have not been established.

Expired and Unused Patents

The license does not compel a licensee to accept a license for an expired patent or for unused patents. The license merely permits licensee to use any of plaintiff's patents. Licensees who were granted a right to use the Rocform System in 1952 could use the inventions disclosed by the patents then owned by plaintiff, which were the basic wall-form patents. Licensees who obtained grants after the one license expired, were at will to use the basic wall-form involved in this suit, as well as any later patents which improved the Rocform System, as a whole.

Use by Non-licensees of Second-hand Equipment

The claim that the equipment purchased by defendant second-hand is free from the patent monopoly and that restriction in the license attempt to control the use of goods already sold and passed from plaintiff's control, is, in the opinion of this Court, inconsistent with defendant's claim that any competitor can manufacture separate elements of a combination patent without infringement and that defendant has a right to purchase such elements or any of them from such competing manufacturers. The fact that all elements were originally purchased from plaintiff, as a set, at the same time, is not a controlling factor. Since such elements were unpatented, any other manufacturer could sell them, singly, or as a set.

Thus there would be no reward whatsoever to the patentee, as manufacturer of the separate elements, not enjoyed by any other manufacturer. The peculiar circumstances of this case distinguish it from cases in which, for example, unpatented elements are combined in a machine and the machine is then sold, since in that case the machine cannot be sold by a competing manufacturer without infringing. Plaintiff does not dispute that the separate elements may be sold by a competitor and purchased from such competitor by defendant; plaintiff does challenge defendant's right to combine the elements to practice plaintiff's invention or inventions. Wall panels are used in every system other than the Rocform System. According to defendant's own testimony, the elements of the patent in suit can be used in avoidance of the patent in suit, according to advice of patent attorneys. This claim of misuse, not having been established, is not available as a defense. Such ruling of the Court also disposes of defendant's motion for summary judgment which, if granted, would permit defendant to practice the invention by use of the elements in a combination. Defendant, whose president as former licensee had full knowledge of the terms of the license agreement, purchased from a manufacturer who was fully conversant as a former executive employee of plaintiff, with plaintiff's business, its licensing program, and its patents, as found by the Court.

Extension of Royalty Payments Beyond Term of Patent in Suit

The most formidable claim of misuse advanced by defendant, under the facts in this case, is that package

patent licensing under one license extends the monopoly of the patent in suit by requiring payment of royalties after the patent in suit expires.

Plaintiff takes the position that its license agreement is not solely a license of patents, that patents are only incidentally involved therein by a grant of the privilege to use any of plaintiff's patents, and that a sufficient consideration for the royalty payment is found in the agreement by licensor to manufacture and sell all of the equipment required by licenses to set him up in business, to replace or repair hardware without charge, and to permit use of the name "Rocform System" so long as the license is in effect.

The license is, in the view of this Court, primarily a patent license and other features thereof are only incidental to the grant of use of patents. Upon a careful reading of the license agreement it is apparent that the prime consideration for the license fee is the grant to use the Rocform System which cannot be used without using the patent in suit and other patents. The services which are included in the consideration for the license are disproportionate to the license fees stipulated therein.

The agreement to furnish to licensee the unpatented separate elements of the combination patent in suit is a convenience to a licensee as he will be assured of having working tools for practice of the Rocform System but such unpatented elements or parts are also manufactured by and available from a competing manufacturer or manufacturers, as this suit indicates, such consideration for payment of the license fees is not, therefore, of paramount importance to the licensee.

Under the license agreement plaintiff undertakes to replace or repair the hardware used to practice the Rocform System, without charge, during life of the license agreement. The equipment used by a licensee includes wall panels, made of wood, which are subject to damage much more readily than the sturdy metal hardware. There is no agreement to repair or replace panels. According to the evidence, the cost of repairs or replacements of the hardware is nominal, and replacements can be purchased from competing manufacturers.

Permission to licensee to use the name "Rocform System" in advertising and promotion was not even included as a consideration in earlier licenses.

Combined, the considerations for payment of the payment of the license fees by licensees, are minimal as compared to the privilege of using the inventions under plaintiff's patents.

The patent for the basic wall form covered by the patent in suit will expire in 1967 and the invention will then be in the public domain, available to any contractor in the trade, licensed or unlicensed by plaintiff. The licensee then has the privilege, still, of using the inventions under any other patents which plaintiff has. Those inventions on which plaintiff has a patent at the present time can only be used with the basic wall form, as is apparent from the description of the patents herein. Upon expiration of the patent in suit the consideration for the grant of the license becomes substantially devaluated; nevertheless, if a licensee continues to use the Rocform System and thus to avail himself of patents other than the patent in suit, he continues to pay the same royalty under the agreement

or subjects himself to patent infringement suit if he discontinues to pay the fee but continues to practice the "system".

There is no termination period in the agreement and no provision for a reduction in license fees, the fee remaining standard for each basement cast. The only provision for termination is that which states that the agreement and license stand revoked, rescinded and terminated upon default in payment of any installments or license fees due under the agreement, for a period of thirty (30) days after payments are due, or upon default in any conditions imposed by the agreement on use of the Rocform System. But in that event licensor, under the agreement, holds licensee responsible for all sums due and damages for the continued unlawful use of the Rocform System if licensee continues to use it after such termination. Use of the basic wall form will not then be unlawful but use of the remaining inventions included in the system would subject licensee to a charge of infringement.

Plaintiff cites Ashlock v. Atlas-Pacific Engineering Co., (D.C. N.D. Cal. 1963), 136 USPQ 339, also 139 USPQ 421, for the proposition that there may be other considerations than just a license under a patent which would affect the termination date of an agreement and that the agreement for which such other considerations are paid is independent of and apart from the patent itself. The facts in that case are not analogous to those in the instant suit. Ashlock owned olive-pitting machines on which it had a patent. It leased such machines to olive processors on a three-year basis, it being a custom in the trade for such processors to lease their machines and for machine manu-

facturers to lease them on a three-year basis. Attached to the machines were metal tabs to show that the machines were patented but no reference to patents was made in the leases. A competing machine manufacturer claimed misuse because Ashlock would not grant leases for less than a three-year term although its patent on the machine would expire in two years. The Court there held that the lease was in no way related to the patent, and that such leasing practice, relating to machines Ashlock still owned, was lawful per se. Here, plaintiff owns no tangible property relating to the patent in suit, but it merely licenses use of the patented combination, in return for a royalty for each basement cast by use of the Reeform System.

It was held in the American Securit Co. v. Shatterproof Glass Corp. case, supra, at p. 776, 122 USPQ at 173, that the power conferred by the patent monopoly may be great enough, assuming that the patented process or product is a desirable one, to compel licensee to submit to a condition that it accept licenses under other patents in the same art. It also distinguished between voluntary and mandatory package licensing. We quote from that opinion (p. 777, 122 USPQ at 174):

> "Each patent gives its owner a monopoly in respect to its disclosure, so much and no more. It is a grant of the exclusive right to manufacture, use and sell the invention which is disclosed. That invention is what the patent grant protects by the monopoly, not that invention plus some embellishment, improvement, or alternate product or process, which also happens to be patented. * * * Each monopoly must stand on its own footing * * * Mandatory package licensing is no more than the exercise of the power

created by a particular patent monopoly to condition the licensing of that patent upon the acceptance of another patent but that is too much. The protection, or monopoly, which is given to the first patent stops, where the monopoly of the second begins.

"Whatever may be the asserted reason or justification of the patent owner, if he compels a licensee to accept a package of patents or none at all, he employs one patent as a lever to compel the acceptance of a license under another. Equity will not countenance such a result."

The standard licensing agreement in that suit provided that it shall continue in full force and effect to the expiration of the last to expire of any of the patents. Such provision, the Court held, constituted a patent misuse because it extends the payment of royalties of patents under patents which may expire to the expiration date of that patent most recently granted. The license in suit does not contain a similar provision; but there is no license for use of the patent in suit alone, the license is for the Rocform System which covers also use of other patented combinations. Anyone desiring to practice the invention of the patent in suit alone, can obtain grant of a license to do so only under plaintiff's standard licensing agreement, not on any other basis. Artil Arrighini, plaintiff's president, upon questioning on the witness stand as to the termination of the agreement, indicated that the license could go on forever. Since the agreement covered use of any of plaintiff's patents, while using the Rocform System, the licensee would be held to payment of the license fee, in undiminished amount, until a time when there were no existing patents. In effect, then, this license agreement

is identical to that involved in the American Securit Co., case, supra, and such effect results in an enlargement of plaintiff's patent monopoly.

Authorities are not in agreement as to extension of a licensing agreement beyond the life of a patent but in this jurisdiction it has been held that parties to the agreement may so provide by their agreement. Starke v. Manufacturers National Bank of Detroit, 174 F.Supp. 882, 122 USPQ 133, affirmed on appeal by the Court of Appeals for the Sixth Circuit in 383 F.2d 117, 127 USPQ 180. No misuse of patent, however, was claimed in that suit, which was one for collection of royalties. In support for the proposition stated the trial court cites, among others, the case of Sproull v. Pratt & Whitney Co., 2 Cir. 108 F. 963, in which the court states that parties may contract as they choose.

In Automatic Radio v. Hazeltine, 1950, 339 U.S. 827, 85 USPQ 378, it was held that it is not per se a misuse of patents to require licensee to pay royalties based on a percentage of sales, though none of the patents were used by a licensee under an agreement which permitted such licensee to use any of plaintiff's patents. The Court found there that the record did not support a claim that a license would be refused to anyone on any one or more of the patents upon refusal to take a license under all patents.

Licensing of several patents in single license agreement does not constitute patent misuse unless element of coercion is present, such as where there has been request by prospective licensee for license under less than all patents and refusal by licensor to grant such license. Eversharp, Inc. v. Fisher Pen Co., 1961, 204 F.Supp. 649, 132 USPQ 423.

Applying the above stated principles to facts in the instant case, if payment of royalties may be extended by agreement beyond the life of a patent, and package patent licensing is not per se illegal, present licensees of plaintiff could contract with it as they choose; if the consideration was acceptable to them, in return for the package patent license and services to be performed thereunder, and it has not been shown that any licensee requested but was refused a grant of a license to use one patent only upon acceptance of a license to use more than one patent, no mandatory package patenting has been established as to such licensees. But plaintiff offered to defendant, and defendant refused, plaintiff's standard license on the ground, primarily, that defendant would be required to continue payment of royalties after expiration in 1967 of the basic wall-form patent, if it entered into such licensing agreement.

It is true that the patent in suit will not expire until 1967 but defendant cannot be coerced to accept now the only type of agreement offered by plaintiff to license use of the equipment defendant owns to practice the invention in suit. Such agreement may, upon expiration of the patent, expose it to litigation at that time under circumstances stated earlier in this opinion. Mandatory package patent licensing, as to defendant, has been proved.

If defendant's hands be unclean in that it made no bona fide application to plaintiff for licensing, or for any other reason indicated by the facts in this case, such uncleanliness will not render plaintiff's hands clean if it is attempting to unlawfully extend its patent monopoly. American Securit Co. v. Shatterproof Glass Corp., supra.

Conclusions of Law

1. This Court has jurisdiction of the parties and the subject matter of this suit.

2. In this action for infringement of a patent by defendant, the defense of misuse of the patent in suit, by attempting to extend patent monopoly beyond the expiration date of the patent, has been established and is a valid defense.

3. Due to misuse of the patent in suit by plaintiff, as owner thereof, this action will be dismissed for want of equity.

An appropriate decree may be entered in accordance with the Findings of Fact and Conclusions of Law.

Appendix C

From the Letterhead of
Naylor & Neal
401 Russ Building
San Francisco 4, California

December 15, 1959

Mellin, Hanscom & Hursh
391 Sutter Street
San Francisco, California

Attention: Jack E. Hursh, Esquire

Dear Mr. Hursh:

This is with reference to the "ultimatum" Landon has presented through you to International Manufacturing Co. to the effect that it must execute a license under both Pace 2,826,307 and Cavenah et al 2,844,255 by December 14, 1959, or face the consequences of an action for infringement of both patents, to be filed December 15, 1959.

Confirming our telephone conversation at the close of the day on December 14, International consulted us concerning the charge of infringement of both patents for the first time on December 14, 1959. We have somewhat more than a nodding acquaintance with Cavenah et al 2,844,255 and would have been prepared to state, with details, a position to you that this patent is invalid. However, we have had no cause (I speak here for ourselves and not International) to inquire into the substance or lack of substance of Pace 2,826,307.

Having now been consulted with respect to the patent to Pace, we are not prepared to advise International with

respect to Landon's proposed licensing arrangement under this patent. We would expect to be prepared to advise the client if we were permitted a period of time, sixty days at the most, to evaluate the patent.

With the thought in mind that once a peremptory first step is taken it may be difficult to brake the subsequent feelings and activities, I am suggesting that you seriously consider along with your client my proposal that the filing of the complaint be deferred until sixty days from date. Depending on our findings it may very well not be necessary for you to file the complaint.

Very truly yours,
Frank A. Neal
For Naylor & Neal

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